

FINANCIAL TIMES



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SECTION AND VALUE OF THE PARTY.

5 54 mile # The State of Street

Private banking A tradition under assault



Not yet a tiger Vietnam needs reform not money



Back to the future Using the past to solve problems



Russian saga How Aviacor led the way

TUESDAY FEBRUARY 7 1995

with no loan deal

An International Monetary Fund delegation is due to leave Moscow today without a final agreement on a \$6.25hn standby loan. Early agreement with the IMF is crucial for Moscow, which has built its 1995 budget on the assumption that it will get substantial western help. But although the latest round of talks failed to wroke a deal western the stantial western help. of talks failed to produce a deal, western diplomats and economists say there are still good prospects of an agreement in the next few weeks. Page 3

France makes start on Usinor sell-off: The French government invited applications for banks to advise on the sala of state-owned Usinor Sacilor, Europe's biggest steel producer. Industry observers foresee a sala later this year. Page 19

UK power sale price set: The British government set prices for the 94bn (\$6.25bn) sale of its stakes in the country's two biggest power gener-ators. National Power shares will be set at 170p and PowerGen shares at 185p. Page 18 and Lex; Joe Rogaly, Page 16; Editorial Comment, Page 17

Deutsche Telekom board member gults



German post and telecommunications minister Wolfgang Bötsch (left) suffered embarrassment yesterday when Gerhard Pfeffermann, one of his deputies, was forced to resign from the supervisory board of newly privatised Deutsche Telekom. The move came after several hig German companies which hope to

compete with Telekom complained that Mr Pfeffermann could not simultaneously work on liberalising the country's telecoms and represent the stateowned monopoly concern. Page 18

Guru runs for top Tokyo post: Kenichi Ohmae, Japan's best-known management guru, is to contest the governorship of Tokyo, one of Japan's most powerful political jobs. Mr Ohmae is author of *The Barderless World* and former chair-man of the Tokyo office of US management consul-tancy McKinsey. Page 18

Guilty plea in NY bomb plot: Siddig Ibrahim Siddig Ali, alleged mastermind of the plot to bomb the UN building and others in New York, pleaded guilty and read a statement implicating his alleged co-conspirators. Defence lawyers said they were

Texas Instruments-Acer: The Taiwanese chip maker plans to invest \$1bn to build a memory chip plant using the advanced technology. Page 19

Russians claim advance: Russians said they crossed Grozny's important Sunzha River and claimed to have gained ground in the south-east of the Chechen capital.

Norwegian royal jewels stolen: A diamond tiara and other jewellery belonging to Queen Sonja of Norway were among items stolen from the London shop of jeweller Garrards in a weekend robbery that netted gems worth £250,000 (\$393,900).

McDonnell Douglas may halt MD-11 line: US aircraft manufacturer McDonnell Douglas may have to stop making its higgest aircraft, the 300-seat MD-11, for part of next year because of a shortage of orders. Page 22; Britain flies into flak, Page 2

Austria condemns racist incidents: Austria condemned the weekend killing of four gypsies and vesterday's wounding of another man in attacks described by police as racially motivated. The govgrament said the attacks were attempts to destabilse democracy and damage Austria's image abroad.

Space encounter: The crews of Russia's Mir space station and the US sbuttle, Discovery, waved to each other in the first meeting of American and Russian spaceships for 20 years. Discovery stopped 37ft from the Russian space station.

Praying for raine Roman Catholic bishops from six rain-starved provinces of southern Spain ordered "collective prayer to plead for rain". Five years of minimal rainfall as reduced Andalucia's reservoirs to 10 per cent of capacity.

Fire service criticised: Fire deaths and losses in England and Wales could be halved if government policy on the fire service were reformed, according to the UK's Audit Commission. Page 12

Free flights for the jobless: French airline Air Liberté is to offer free seats to jobless people travel-ling to job interviews. The move is part of a price war with state-owned Air Inter, which has cut busi-

STOCK MARKET BIDICES	E GOLD
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IMF delegates set to leave Moscow Clinton budget spares social services spending

US president Bill Clinton challenged the Republican-domi-nated Congress to a political fight yesterday with budget pro-posals that include limited spending cuts but preserve social secu-rity spending levels and offer the middle classes a tax break.

Leading congressional Republicans promptly retorted that Mr Clinton's 1996 hudget "lacked courage" because it had scarcely touched social security entitlements. Those account for 48 per cent of total spending, a growing figure, and are hlamed for the long-term deficit in the US.

Congressman John Kasich, chairman of the House of Representatives budget committee. aid Mr Clinton had "shown no interest in doing the heavy lifting needed to eliminate our hudget Mr Clinton was confident that

he had the right combination: "My budget cuts spending, cuts taxes, cuts the deficit and does not cut education, or social security, or medicare. That is a good

He sent a 1996 budget to Con-gress that would increase federal government spending by 4.8 per cent to \$1,612.1bm in the fiscal year starting on October 1. Under the Clinton budget proposal, the federal deficit would grow from \$192.5bn this year to \$196.7bn in

Congress Republicans face battle over curb on cuts

stahilising around \$196bn in

Congress will begin debating the hudget ontlines this week, and the proposals must be passed by mid April. More detailed spending proposals will he dehated in 13 separate appropriations hills and are due to be fina-

lised by the end of September. Meanwhile, the Republicans have passed in the House and begun debate in the Senate on a constitutional amendment requiring a balanced budget by 2002, but have not yet produced their plans for reaching a zero deficit. It is no accident that Mr Clin-

ton's budget does not attempt to deal with entitlement spending. The administration is determined to leave it to the Republicans to propose cuts in the popular mid-dle-class entitlement programmes of social security and medicare, which are mevitable if the US is to reach a balanced budget. The Clinton administration has not supported that goal

Spending cuts proposed by the administration to pay for tax cuts and spending increases and to hring down the deficit are focused on "discretionary" spend-

of the departments of Energy, Transportation and Housing and Urban Development, as well as \$7.3hn from privatising government energy agencies and stocks.

Ms Alice Rivlin, director of the Office of Management and Budget, said the administration's budget proposal would keep the deficit under cootrol. She forecast that it would fall in proportion from 4.9 per cent of gross domestic product in 1992 to 2.1

per cent by the end of the decade. The forecasts assume that the US economy will experience a "soft landing," with growth mod-erating to 24 per cent this year and remaining around 2.5 per cent in subsequent years. The administration projects that inflation will peak at a relatively low 3.2 per cent in the 1995-98 period and then fall.

The budget includes the tax cut proposal which Mr Clinton calls his "Middle-Class Bill of Rights" which would provide a \$500-a-child tax credit for families earning less than \$75,000 and other tax benefits for education, long-term care and retirement

They include \$26bn of savings Clinton budget a manifesto to



the resignation of prime minister Waldemar Pawlak and a major reshuffle of the present coalition government. Walesa accused Pawlak of incompetence and said his government was making little

Rush to take profits hits commodity markets

By Kenneth Gooding and Robert Chote in London

Speculators around the world pulled their money out of commodifies markets yesterday. sending prices of everything from

copper to cocoa plunging.
Investment funds, mainly
based in the US, have helped to drive up commodities prices sharply in the past 15 months. They have now decided to take some of their buge profits and move their money into reviving bond and equity markets.

"The investment funds seem to feel the party is over for metals and other commodities," said Mr Jim Leunon, analyst at Macquarie Equities, part of the Australian banking group.

He said the funds decision to sell was triggered on Friday by employment statistics which indicated US ecocomic growth was slowing. Receot increases in interest rates would hit two hig metals users, the car and con-struction industries, by leading to slacker demand.

The funds set off a worldwide rush out of base metals. Prices fell in the Far East yesterday on the first trading day after the Lunar new year holiday, which set the tone when trading opeoed in Loodon. But some hargainhunting helped to steady prices on the London Metal Exchange By the close some metals had made impressive rallies.

Many observers suggested that metals markets had been overheated for some time and needed

Continued on Page 18 Lex. Page 18: Commodities. Page 27, London stocks. Page 34; World stocks, Page 38

China and US agree on talks to avert trade war

By Tony Walker in Beiling and Nancy Dunne in Washington

The US and China will return to the bargaining table next week in an attempt to avert a trade war over Beijing's failure to prevent

copyright piracy.
With the US set to impose sanctions if nn agreement is reached by February 26, the two sides yesterday agreed to meet on Febru-ary 13 in Beijing to resume nego-tiations which stalled late last

Mr Mickey Kantor, the US trade representative, announced on Saturday the proposed punitive tariffs of 100 per cent on \$1.08bn of Chinese imports annually, the largest US action

against a trade partner.

Beijing responded by threatening retaliation, including the suspension of negotiations on new car projects with US manufactur-

ers, and 100 per cent tariffs on imports such as cigarettes and cosmetics.

Yesterday, however, Mr Kantor said be had received a letter from Ms Wu Yi, the Chinese trade minister, indicating Beljing's readiness to resume talks. "We are delighted and impressed by the rapid response of the Chinese,"

Mr Kantor said he expected the Chinese to come to the table prepared to address US concerns over the protection of intellectual property rights in fields including computer software, chemical and agricultural products, phar-maceuticals, trademarks, audiovisual works and books and peri-

curb piracy, including raids on

He laid out three US goals, which suggest some softening of Washington's stance. The first is "effective immediate measures to

major compact disc producers," though he did not demand the closure of 29 pirate factories in southern China.

Mr Kantor said the US wants structural changes to impruve intellectual property protection over time", which for the first time takes into consideration China's status as a developing

But Mr Kantor wants moves to create a border enforcement regime institute a copyright verification system and improve access to courts for intellectual

property disputes.

The final US demand is on market access for intellectual property-based products. At present, the Chinese government allows the distribution of 10 popular US films a year. The remainder of the US films circulating in China

Mr Kantor said there would be

are smuggled in and copied.

a 23-day grace period for negotia-tions. In previous Sino-US trade Kong and Taiwan. US business disputes involving threats of sanctions, the two sides have

invariably reached an 11th-hour Sino-US trade last year reached about \$50bn, heavily in China's

In the first 10 months of the year Chinese exports to the US reached \$32.5bn, compared with imports from the US of \$7.8bn.

The US is the third biggest

had pledged about \$20bn in investment by the end of last US producers of music prod-

ucts, films, computer software. books and magazines estimate that Chinese piracy is costing US business about \$1bn a year in

WTO warns on trade curbs,

LME 3 month prices, \$ per tonne

NEC-Samsung link-up will produce chips for Europe

and Alan Cane in London

NEC, the Japanese electronics company, and Samsung of South Korea, the world's largest pro-ducer of semiconductor memory chips, will collaborata for the first time to produce memory chips for the European market. The deal illustrates the grow-ing interdependence of the

manufacturers. Two years ago, there was bitter rivalry between Japanese and Korean chipmakers in an oversupplied market. Today, with demand for semiconductor memory growing at 60 per cent a year, companies need to pool their resources to meet both a growing

world's large semiconductor

need for computer power, and for research and development. NEC said the strengthening of ties with the Korean company would have long-term implications. The two have already agreed to exchange information

on developing next-generation 256-megabit D-Rams – four times the capacity of the existing biggest chip - to reduce the burden of development costs. The European market for D-Rams of all sizes is likely to reach \$5bn this

The link-up, which will enable Samsung to avoid dufies of 14 per cent on memory chips imported into the European Union, will provide both companies with extra supplies of scarce 4-megabit D-Rams, the present industry

D-Rams, or dynamic read and write memory chips, are the basic building blocks of memory systems used in electronic equipment such as personal comput-ers, telephone handsets and consumer goods, as well as in supercomputers and telecommunications switches.

NEC has agreed to supply Samsung with some 100,000 chips a month in the form of wafers discs of silicon with the electronic circuits imprinted on them, ready to be sliced into indi vidual chips. The wafers will be manufactured at NEC's wafer plant in Livingston, Scotland.
It is understood that Samsung

which has no full manufacturing facility in Europe, will process and assemble chips in Portugal where it has been testing mem ory chips for its products. NEC said yesterday that it could eventually supply the Korean company with 16-megabit and 64megabit D-Rams for processing and assembly - used at the cutting edge of technology.

Industry analysts said yesterday that the tariff saving was not likely to be an important element of the deal in the light of strong demand for D-Rams from a buoyant personal computer industry.

Samsung's plans to expand its memory business in Europe come a few weeks after reports that it is to establish a \$1bn wafer fabrication plant in the US to produce 16 and 64-megabit memory chips.

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THE FINANCIAL TIMES LIMITED 1995 No 32,594 Week No 6 LONDON - PARIS - FRANKFURT - STOCKHOLM - NEW YORK - TOKYO

Catalan leader seeks period of peace during Madrid's presidency of the EU

Pujol brokers Spanish political truce

Spain's main political parties are exploring a tacit agreement to avoid early elections during Madrid's presidency of the European Unioc in the second half of this year

Mr Jordi Pujol, the Catalan nationalist leader, who appears to be brokering the consensus has served notice that he will back the minority Socialist government when Mr Felipe González, the prime minister, opens a two-day state of the nation debate tomorrow but that he will not oppose a general election early next year. Opinion polls suggest that election will see the conserva-

(PP) replacing the Socialists as the largest political party. The Catalan nationalists hold the key to Mr González's stability. They make up for his party's shortfall in parliament and have ensured the safe passage of the last two budgets.

tive opposition Partido Popular

Mr Pujol's ideas on government support now and the possibility of elections next year in theory Mr González's term does not end until the summer Expert study urges policy change to reduce high unemployment rate

Sustained annual economic growth of 5 Olivier Blanchard of the Massachusetts per cent and the creation of 400,000 jobs a year are needed to lower Spanish unemployment from 25 per cent today to 5 per cent a decade from now, argues a report published by the London-based Centre for Economic Policy Research*.

The principal change in policy for demand would be to target monetary policy towards non-inflationary growth, away from the exchange rate, writes Martin Wolf. Two major changes are also ended in policy for the supply side: elimination of most restrictions on tha firing of workers; and moves towards company-level collective bargaining, combined with reactivation of national agreements during the transition to low unemployment

The report was prepared by an international team, under the direction of

recent briefing in Barcelona

that amounted to the clearest

exposition to date of his mid-

term political strategy. He was scheduled to put them to Mr

José Maria Aznar, the PP

leader, at a meeting in Madrid

If the ideas are adopted by Mr Aznar, the political clashes

yesterday.

The report's analytical basis is the employed insiders, reducing the effects of unemployment upon them. The introduction of fixed-term employment

that have been brought on by a

string of government scandals

will to a large extent be cur-

tailed and market pressures on

Spain should ease. Mr Pujol

termed the conservative leader

as "the only viable alternative"

to Mr González and said the PP

was "a guarantee that Spain is

not like Italy, where the party

Institute of Technology, Cambridge, Massachusetts, and Juan F. Jimeno of FEDEA, Madrid. Other authors include Nobel laureate Robert Solow of MIT. Edmond Malinvand of Insee-Crest, Paris. Charles Bean of the London School of Economics and Dennis Snower of Birkbeck College, London

argument that unemployed workers do not significantly affect the wage demands of those who are securely employed. The effect of unemployment on inflation is particularly weak in Spain: in the past inflation has started to accelerate when unemployment was as high as 16 per cent. High costs of firing protect the securely

been destroyed".

contracts may even have had perverse effects, by further insulating those with long-term job security.

The report denies that the level of unemployment benefits still needs to be altered. Equally, it argues that there is no longer a need to redistribute income away from labour towards capital. These facts should, it suggests, make it easter to achieve a social pact that would deliver low wage inflation in return for lower unemployment.

Olivier Blanchard et al, Spanish Unemployment: Is there a solution? Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB (tel -441717349110); Consejo Superior de Camaras de Comercia, Industria y Navegación. C/Claudio Coello, 19, 28001, Madrid, Spain (tel - 3415753400).

that the "Socialist trademark system has for the moment does not sell any more", he said the government was "Mr González has a problem with the press, with the judi-ciary and with the markets, worth backing in part to ensure a successful EU presidency and in part to aid but he does not have problems with a parliamentary major Spain's incipient economic

recovery. Once the EU presidency was over, however, "general elections will be useful". Mr Pujol, premier since 1980, is likely to bring forward Catalan polls from the spring of 1996 to next autumn in order to avoid their

coinciding with a nationwide

Stressing that German federal elections had hampered the past EU presidency and that the French presidential elections were hampering the the present one, he said it was important to have a "poll-free" Spanish presidency run by an experienced administration

headed by Mr González. He said, however, that "prohusiness economic policies", which he hopes Mr González's government will adopt in the course of this year, could be insufficient to sharpen Spain's competitiveness and that a government prepared to take unpopular measures" would

Mr Pujol said he wanted to improve Mr Aznar's understanding of the "Catalan reality" but that there were areas common ground on econamic policy. "It is legitimate for Mr Aznar to hide his economic cards because if he is EUROPEAN NEWS DIGEST

Italy's Northern League may split

national congress next weekend, according to Mr Roberto Maroni, the former interior minister and the party's leading

In an interview published yesterday, Mr Maroni said he would leave the porty if Mr Umberto Bossi, the League's founder and leader, won majority support at the congress, which begins in Milan on Friday. At the weekend, Mr Bossi claimed he would be happy to ratire if congress approved a motion of no-confidence in his leadership. Mr Maroni is the League's second-in-command and was a close friend of Mr Bossi until his leader's decision before Christmas to withdraw support from Mr Silvio Berlusconi's right-wing coalition. The move triggered the downfall of the government but Mr Maroni move triggered the downfall of the government but Mr Maroni railied a minority of League deputies behind Mr Berlusconi. Mr Maroni said be thought "a good part of the League's electorate was fed up with Bossi's twisting and turning". He said the real hope for the party's future was to support Mr Berlusconi's Forza Italia and the extreme-right National Alliance – the combination which won the elections last March. Andrew Hill. Milan

Tapie suggests pact with Jospin Mr Bernard Tapie, the French businessman-politician, indi-cated yesterday he was ready for an electoral deal, rather than a duel, with Mr Lionel Jospin, the newly nominated Socialist presidential candidate. In an interview with the Liberation newspaper. Mr Taple, whose centre-left Radical movement won a surprise 12 per cent of the vote in last year's European elections, said that whatever his personal differences with Mr Jospin, "our respective electorates are compatible" and "could be brought to vote together". Despite his earlier warnings that the Socialists would "pay dear" for any accommodation with Mr Taple – who is embroiled in legal action to stave off bankruptcy - Mr Jospin promised in his nomination victory speech on Sunday to "show a minimum of political intelli-gence" in rallying the French left behind him. His need for Radical support was underlined by a Louis Harris poll yester-day that showed him in third place behind prime minister Edouard Balladur and Mr Jacques Chirac, the RPR Gaullist mayor of Paris. Only the top two in the first round of voting go through to the final round in May. Meanwhile, a book of Mr Balladur's speeches goes on sale today, ahead of the prime minister's first campaign press conference next Monday.

Turkey to raise Azeri oil stake

Azerbaijan will sell Turkey a 5 per cent stake in the international consortium developing a \$7.4bn offshore oil project in the Caspian Sea. This will raise Turkey's stake in the consortium to 6.75 per cent, Mr Veysel Atasoy, Turkey's energy and natural resources minister, said yesterday. However, he added that the arrangement must still be ratified by the consortium's other shareholders, mainly western and Russian oil compa-nies. If confirmed, the deal would be a foreign policy coup for Turkey, which has been trying to raise its shareholding ever-since the consortium's formation late last year. Turkey wants to increase its influence in the former Soviet republics of the Caucasus and central Asia, which are predominantly Moslem and Turkic. Ankara was string at the end of last year by Azerbaijan's decision to sell Iran a 5 per cent stake in exchange for financial and technical assistance. Azerbaijan originally held 20 per cent of the shares but will now hold only 10 per cent. The deal is still of huge significance to Azerbaijan after its civil and economic upheaval. John Barham, Ankaru

Slovakia launches sell-off probe Slovakia has launched a wide-ranging investigation into all previous privatisation deals, in a move likely to delay any further state sell-offs until at least the middle of this year. But privatisation ministry officials said companies chosen for a second round of voucher privatisations would be named within two weeks. The official Slovakia news agency said Mr Peter Bisak, privatisation minister, has suggested July 1 as the date by which sell-offs could be resumed, but uncertainty

caused by the new investigation could lead to further delays. The newly elected government of prime minister Vladimir Meciar postponed a big sell-off of state companies through voucher privatisation when it assumed office in December. gency reported at the weekend that senior govern meni figures had adopted a resolution "to evaluate the entire privatisation process in Slovakia with regard to compliance with valid legislation. The review would take three months, the agency said, and could result in "punitive measures" as well as new legislation governing future privatisation. Vincent

Boland, Prague and Reuters

Swedish unions seek 9.5% rise

Sweden's powerful blue-collar trade union federation, the LO, yesterday made the first move in this year's important indus-trial wage round, saying member organisations would seek pay increases amounting to 9.5 per cent over two years in talks with employers due to get under way over the next few weeks. But three federation members, covering workers in the retail, transport and paper-making industries, refused to back the demand, raising the possibility that individual unions will push for higher settlements. The Social Democratic government and employers are calling for restraint, fearing inflation could be rekindled and a weak recovery from recession undermined. The Swedish Employers' Confederation has already said the LO demand was too high and a group of influential economists, chaired by Mr Per-Olof Edin, the LO's own chief economist, said at the weekend that annual average increases above 3.5 per cent could erode the competitive position of Swedish companies. Wage bargaining is still relatively centralised in Sweden, with sectoral unions and employers' organisations negotiating benchmark agreements for their industries. Hugh Carnegy, Stockholm

ECONOMIC WATCH

OECD warns Finns on welfare

Real GDP growth, annual % change

welfare system if a strong economic recovery from deep recession is not to be undermined, the Organisation for Economic Co-operation and Development said yesterday. It said tha changes would help to curb the country's rising government deficits and debt and bring down real long-term interest rates - currently among the highest in the OECD. They would also stimulate employment at a 1980 et &2 es et se time when Finland's jobless Source: Disasteers' rate stands at 18 per cent, one

Finland needs to make

further cuts in its extensive

of the highest levels in Europe. At the same time, the OECD painted a picture of an economy in a buoyant recovery phase, after the trauma of the 1990-93 period when GDP collapsed by 15 per cent, the deepest shump any industrialised country has experienced since the samp any industriansed country has experienced since the second world war. It forecast average economic growth of 4.5 per cent a year in 1995 and 1996, after a rise of nearly 4 per cent last year. The Paris-based organisation believes the export-led recovery will become more broadly based as private consumption rises and business investment picks up. A jobless rate of 14.6 per cent is still forecast for next year - but this will help to keep down Finnish inflation, currently running at 2 per cent a year. But the OECD says its calculations may be upest by rising wages, particularly if big awards agreed in the export sector spill over into the rest of the economy. Christopher Brown-Humes, Stockholm

Walesa wants reshuffle and new premier

By Christopher Bobinsid

Poland's president Lech Walesa yesterday called for the resignation of prime minister Waldemar Pawlak and a reshuffle of the coalition government composed of the ex-communist Left Democratic Alliance (SLD) and Mr Pawlak's own Peasant party (PSL).

Mr Walesa secused Mr Pawlak of incompetence and said his govarnment was making little progress in reforming the country. "Either you change the government and the minis-ters," he told leaders of the parties represented in parliament, "or I will take decisions. For the good of the country,

go." he said.
"This government finds itself standing permanently at a yellow light," he added. He explained his delay in approving this year's hudget was designed as a protest against the government's "fiscalism and the growing impoverish-

ment of the population". But at the sama time an Mr Walesa appeared to withdraw his threat to dissolve parliament, assuring that he would never do anything to hreak the constitution".

The statement came in response to a resolution by parliament at the weekend saying the president had no right to dissolve parliament and that he would be impeached if he attempted to do so.

Mr Walesa's demand for a reshuffle is backed by the SLD. Its leader, Mr Alexander Kwasniewski, wbo currently holds

no government post, has said the style of the present administration has to change. The SLD last week called on Mr

Pawlak to resign. Mr Kwasniewski, emboldened by an endorsement from Mr Walesa, who has said that the SLD leader would be more "efficient" than the Mr Pawlak, said it was logical that the leader of the SLD, as the larger party in parliament, should head the government.

The present coalition came to power after elections in 1993. The SLD with its 167 deputies and the PSL with 131 supporters control two-thirds of the

Mr Pawlak, secure in the support of his own parliamentary deputies, has decided to ignore the calls for his resignation and wait for a meeting of his party's national leadership on Friday to plan a response.

Yesterday he told his critics they could table a motion of no confidence in the government at the next session. Mr Pawlak's advisers hope

the delay will give the SLD time to think again and return to the political arrangement of the past 18 months which has seen the PSL at the helm of government. They are, however, offering Mr Kwasniewski the post of deputy premier and foreign minister. Mr Pawlak knows that should he fall to hudge, the SLD will either have to remain in the coalition or start a search for new coalition partners among the smaller Solidarity-rooted opposition parties.

Editorial comment, Page 17

François Léotard, the French

defence minister, last week.

The Future Large Aircraft, a proposed military transporter to rival the long-standing Her-

cules, has become the latest

symbol of European co-opera-

Britain pulled out of the project in 1989, after becoming dis-

illusioned with progress, leav-ing the French, German, Italian and Spanish govern-

ments as prime movers. Six

years later it is proposing to rejoin in an attempt to pre-

role in aircraft wing design

within Europe. However, sev-

eral continental countries are

Mr Henri Conze, head of the

French procurement agency, is as sceptical as Mr Léotard

about the British commitment

to the FLA, and equally forth-right. "There will be conse-

quences for the restructuring

of the aerospace industry if the

UK does not give some under-taking [on FLA] in the 12

months to come," he told Les

This spate of French scenti-

cism comes even though Britain decided in principle at

the end of last year to rejoin

the team designing the air-

craft. Part of the concern

comes because at the same

time as Britain said it would

rejoin the FLA programme, it also ordered 25 US-made Lock-

Echos newspaper

wary of UK involvement.

tion and division.

Ministers reach agreement in principle on relations with Turkey

EU customs deal takes shape

By Lionel Barber in Brussels

European Union foreign ministers last night agreed in principle s deal which would lift Greece's veto on an EU-Turkey customs union in return for a timetable for Cyprus joining the European Union around the turn of the

The agreement is subject to approval by the governments of the 15 member states of the EU but Mr Alain Jnppé, French foreign minister, was optimistic the deal would be sealed. The European initiative amounts to the most promising effort to break the deadlock over Cyprus which has existed since 1974 when the Turkish army invaded the island in response to a Greek Cypriot coup backed by Athens.

concern about political and economic instability in Turkey. a Nato member which plays a crucial part in guarding the alliance's south-eastern flank against Iran, Iraq and Russia. France, which holds the rotating EU presidency, has led in

ity," Mr Pujol said. Although

he believes the prime minister

has been "hit in the wing" and

stressing Turkey's geo-strategic importance. But the UK, among others, is wary of explicitly breaking the understanding that EU accession for Cyprus cannot take place in the absence of a political settlement between Greek and Turkish communities. A UK official said it was

vital to maintain pressure on all parties to reach agreement on a hi-zonal federation in Cyprus leading to a reduction in the Turkish garrison in northern Cyprus. "We don't

expressed disquiet about a French formula for compromise which offers to start accession negotiations with the Greek Cypriot government "no later than six months" after the conclusion of the 1996 intergovernmental conference to review the Maastricht treaty, "taking into account the results of the conference". This is intended to ensure that the present members of the Union agree to institutional changes such as streamlined decision-making and reducing the size of the European Com-

Belgium, Germany and Spain

mission, before opening enlargement negotiations. But Belgium is worried about opening expansion negotiations before all member states have ratifled the new oup backed by Athens. want to import the Cyprus treaty - dubbed "Son of Mass-One of the driving forces is problem into the EU," he said. tricht" - which is likely to

emerge from the IGC. Germany, chief sponsor of enlargement to central and eastern Europe, has reservations about a fast track to membership for Cyprus ahead of the Czech republic and Slovenia for example. Bonn also knows such an offer would require equal treatment for Malta, the most economically advanced candidate.

Greek ministers were last night consulting with Athens over the wording of the text which covers a Greek commitment to lift its 14-year-long veto on an Eculbn (£780m) financial aid package to Turkey. The customs union which contains protection for EU agriculture and Turkey's industrial sector - is expected to be signed at an EU-Turkey meeting on March 7 and would

Brussels to defend Hualon aid

By Emma Tucker in Brussels

The European Commission says it is satisfied with the accuracy of evidence from the British authorities regarding a controversial decision to give £81m rthern Ireland textiles plant, and will defend the grant on the basis of this information.

It faces a long fight in the European Court with EU textiles and clothing manufacturers which claim Brussels broke its own rules in approving the aid to Hualon, one of Taiwan's biggest industrial groups,

last year. They believe the £157m plant will add capacity and threaten jobs in an already oversupplied sector. The Commission responds, on the basis of UK government evidence, that the plant - forecast to create 1,800 jobe - will make high volume, low quality products that will

not threaten existing producers, about the legal and financial arrange-Presentation of the Commission's ments for the deal. defence was delayed after doubts were raised about the evidence supplied by the to present its arguments. The doubts surfaced amid persistent allegations from the industry that Hualon intended to undercut existing manufacturers by producing high quality goods.

Mr Karel Van Miert, competition commissioner, wrote to the UK authorities at the end of last year demanding reassurances and clarification. He also asked them to confirm original submissions on how the plant would be legally structured

Last November, Mrs Jennifer D'Abo, a director of Northern Ireland's Industrial Development Board, resigned because the board, responsible for the Hualon project, failed to give her satisfactory information

Extra doubts about the project arose following disclosures of court proceedings British government. It has until March 1 against two Hualon executives in Taiwan over alleged share fraud. A Commission official said yesterday "Mr Van Miert got a commitment from

the British government that all the infor-mation it supplied was right." The case, when it finally comes before the court, is likely to take more than a year to produce a verdict in what is seen as one of the Commission's most contro

versial state aid cases. Brussels approved the Belfast project on

May 4 last year after a 10-month investi-gation. The decision was judged to have been politically influenced and officials conceded at the time that it would probably have been turned down if considered strictly on competition criteria.

Residential FLA, there is no reason why they should make it. That was the robust view of Mr

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Britain flies into flak over FLA role

France is suspicious of the UK's intentions, writes Bernard Gray, Defence Correspondent



omes because the terms on which Britain might rejoin the FLA are unclear, and the rest is down to a wariness that "perfidious Albion" will run

true to form. In a routine visit to Paris last week, the British procurement minister, Mr Roger Freeman, went out of his way to reassure the French that the heed Hercules aircraft to UK was serious about rejoining replace half its ageing trans- the project and to spell out the

port fleet. To French eyes, that smacked of less than total commitment to the FLA.

Part of the concern also terms which would have to be met. "We are not shilly-shallying or being vague," he said.

The FLA will have to be

managed as a commercial pro-gramme by the Airbus consor-tium, and its specification and and 50 aircraft. In these respects, our position is no difboth France and Germany are more than a little nettled because they suspect that the UK is using a traditional continental tactic of making a vague commitment to a large number of aircraft at an early stage to gain a strong position in the programme, only to scale back its real require-

Britain's commitment to the FLA is certainly tentative. But, says Mr Freeman, that is only to be expected. The feasibility study outlining the aircraft's Behind the public posturing, performance and cost will only lar hole in the pocket.

be available in the spring and at this stage, Britain is no more or less committed than anyone else. No country could sign a contract or commit money until it knew what it was buying. Even if that is true, it does

imply some tough negotiations ahead. And meanwhile, the public pressure for more pre-cise British commitments may continue Probably the most difficult point to overcome will be

designing a way to pay for the development phase. Continen-tal countries will want to finance the project with tradi-tional launch aid. Britain, having bought its Hercules aircraft, has little money in the budget to pay for development in advance. It is looking for commercial ways of including development costs in the purchase price. While that may be technically feasible, it may be hard to persuade other countries that the UK is not getting Airbus and its constituent

companies, meanwhila, have an equally difficult task. Since they must bear much of the risk of developing the FLA, they have to price it competitively enough to attract gov-ernments, particularly Britain's, while at the same time not under-pricing it and risking a large cost overrun

which they would have to bear.

price will have to be acceptable. If the conditions are met, Britain will rejoin the project this year, and the UK has a ments later on. requirement for between 40

ferent to that of Germany or France," he added.

a free ride.

As McDonnell Douglas of the US found when it took on a similar bet with the C-17 transporter, getting that calculation wrong can cause a billion dol-

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More than three years after Russia began to stumble down the road of market reforms, Aviacor is the clearest sign that reforms have actually begun to influence the heavy industrial giants that dominate the country's economy.

a market economy.

Six months ago, Aviacor, in the central Russian city of Samara, suffered from the wasting disease which has afflicted most of Russia's heavy industry. The factory, which produced fighter jets before the collapse of the Soviet Union and builds the Tupolev-154, one of Russia's most popular civilian aircraft, had been brought to a standstill by a Rbel55bn debt to banks and other factories. Like thousands of factories throughont Russia, Aviacor was not being paid by those who bought its products and was consequently unable to pay its suppliers or service its bank debt. Workers at the factory, a former state company priva-

tised through the voucher system nearly three years ago, had not been paid for months. Last summer, thousands of factories in similar straits were bailed out by cheap government credits which have driven the rouble to historic lows against the dollar and pushed monthly inflation up to

nearly 18 per cent. But Aviacor

is the exception which, if it

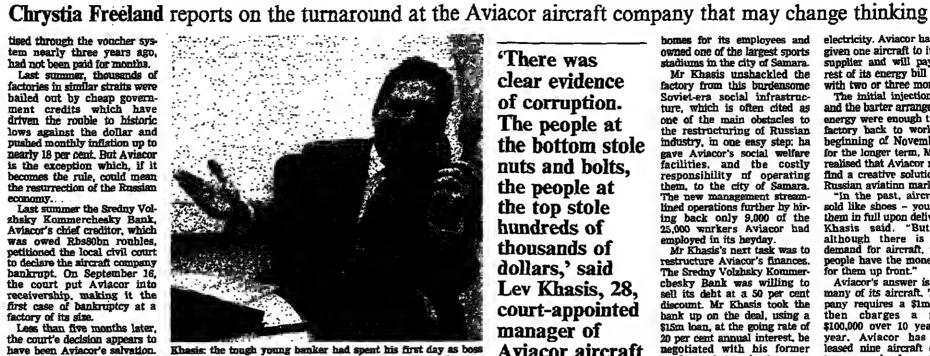
becomes the rule, could mean the resurrection of the Russian

economy...

Last summer the Sredny Vol-zhsky Kommerchesky Bank, Aviacor's chief creditor, which was owed Rbs80bn roubles, petitioned the local civil court to declare the aircraft company bankrupt. On September 16, the court put Aviacor into receivership, making it the first case of bankruptcy at a

factory of its size. Less than five months later, the court'e decision appears to have been Aviacor'e salvation. Under new and rarely imple-mented Russian law, when a court declares a factory bankrupt it sets up a probationary period - of not more than 18 months - during which debts are frozen and a new management, appointed for the interim, can try to put the fac-

tory back on its feet. The court and the hank-



firing everyone in management connected with Aviacor finances corruption." Mr Khasis says.

"The people at the bottom stole

nuts and bolts, the people at

Specifically, Mr Khasis sus-

pects that the old management

allowed purchasers to acquire

at least five aircraft without

the top stole hundreds of thon-

sands of dollars."

Mr Lev Khasis, a 28-year-old banker with a degree in aviation engineering, to manage Aviacor for 12 months. His first day on the job, Mr Khasis fired everyone in the old management with any con-

nection to the company's There was clear evidence of paying for them in exchange

clear evidence of corruption. The people at the bottom stole nuts and bolts. the people at the top stole hundreds of thousands of dollars,' said Lev Khasis, 28, court-appointed manager of Aviacor aircraft

There was

for generous kickbacks. After replacing the old guard with a new team which included many leading young reformers. Mr Khasis set about transform-

ing the factory itself.

As a sideline to building aircraft. Aviacor also ran 28 kindergartens, nwned 1m sq m of honsing, ran two holiday

owned one of the largest sports stadiums in the city of Samara. Mr Khasis unshackled the factory from this burdensome Soviet-era social infrastruc-ture, which is often cited as one of the main obstacles to the restructuring of Russian industry, in one easy step: ha gave Aviacor's social welfare facilities, and the costly responsibility of operating them, to the city of Samara. The new management stream-

homes for its employees and

lined operations further by hiring back only 9,000 of the

employer, Avtovazbank. money to recommence work on the 25 nearly completed air-craft in the factory's idle workshops. So Mr Khasis held a fire-sale, disposing of five air-craft to a Siberian airline for the bargain basement price of

duction of a new aircraft, the Antonov-70 transporter. electricity. Aviacor has already given one aircraft to its energy

Mr Khasis, who says the rates offered by Russian banks are prohibitively high for manufacturers, bopes that a new share issue will solve both of Aviacor's remaining problems

fresh capital to finance the pro-

Later this year, Aviacor, 51 per cent of whose shares are owned by the workforce and the old management and 25.5 per cent hy the state, plans to issue 150m new shares. Some 18m will be nffered in current shareholders, who will get 30 new ones for every share they hold. Another tranche nf shares is slated to go to Avia-cor's nld creditors, with whom Mr Khasis is negotiating debt for equity swaps. Mr Khasis is trying to sell the remaining shares for at least \$1 per share to western strategic investors. Last summer Aviacor's shares were trading at six

If all goes according to plan, by the beginning of next summer Mr Khasis hopes he will be appearing before the bankand to petition for its release make Mr Khasis, whose salary

times their numinal value.

They are now at about 20

to agree loan

By Chrystia Freeland

with the IMF is crucial for the Russian government, which has constructed its already strained 1995 budget around the assumption that Russia will receive substantial west-

With inflation reaching a 12month high of nearly 18 per cent last month, the government has been bard pressed to raise money on domestic capital markets to finance its budget deficit. To attract buyers for treasury bills, the govern-ment was last week forced to offer yields of 320 per cent on

The government's shaky grip over its budget deficit -forecast at 7.7 per cent of GNP by the ministry of finance but more than 10 per cent according to DMF calculations could slip further without IMF

But western diplomats and economists said that despite Russia's failure to reach an agreement during this round of talks, the prospects were

Ministry of finance officials denied reports in the Russian press that Mr Vladimir Panskov, the minister of finance,

Western diplomats and econ

IMF is not persuaded by Moscow's optimistic revenue ern diplomats, the IMF e economists calculate that the Rus-sian budget contains a fiscal which the IMF is expected to press Russia to plug either by raising more revenues or further squeezing expenditures. The government's attempt to

satisfy the IMF's austere fiscal requirements could be complicated by growing industrial unrest in the coal sector, which Moscow could be tempted to appease by issuing soft state credits. Miners, who were on strike at dozens of mines yesterday and have called for a nationwide coal strike tomorrow, are protesting because their wages have not been paid for several months.

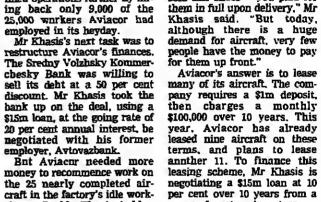
Western officials said that

practice its formal pledge to liberalise oil exports, a key IMF demand, has served as a warning about the gap between promises and imple-

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Another remedy was the

per cent over 10 years from a group of western investors. These arrangements have allowed Aviacor to go back to work, but the company is still burdened with much of the deht accumulated by the old management and is looking for

supplier and will pay off the

rest of its energy bill this year

and the barter arrangement for

energy were enough to get the

factory back to work by the

beginning of November. But,

for the longer term, Mr Khasis realised that Aviacor needed to

find a creative solution to the

Russian aviatinn market. In the past, aircraft were sold like shoes - you paid for

The initial injection of cash

with two or three more.

ruptcy court to report that Aviacor has paid off its debts from the probationary period ahead of schedule. That will is linked to the amount of deht his factory repays, a wealthy

Moscow fails deal with IMF

An International Monetary Fund delegation is due to leave Moscow today without a final agreement on a \$6.25bn standby loan, but Russian and western officials remained hopeful that a deal would be struck over the next few

ern assistance.

three-month bonds.

money to help bridge the fiscal

still good for a deal.

had said he expected the IMF mentation.

to refuse to grant Bussia a standby loan. Instead, they predicted that an agreement would be reached sooner rather than later.

omists said that two principal sticking points remained between Russia and the IMF. On the economic front, the

the second obstacle is the lack of explicit, high-level political support for the stabilisation programme the IMF has been negotiating with officials from the generally reform-minded ministry of finance.
Moscow's failure to apply in

Austrian parties in budget deal intended sale of government By Eric Frey in Vienna

Austria's two governing parties reached broad agreement yesterday on the 1995 budget. The accord averted a collapse of the coalition just four months after the last elections and is designed to keep the budget deficit below Sch100bn (\$9.3bn).

Originally, the 1995 shortfall was projected as high as Schlöbn, which would have well exceeded convergence criteria for monetary union in the Maastricht treaty. The impasse in the budget talks was broken on Sunday night when government representatives reached agreement with the public employees' union on pay and pension changes that should result in government savings

of Sch3.5bn this year. Moreover, the Social Democratic party (SPOe) and the conservative People's party (OeVP) agreed modest cuts in welfare spending. The bulk of the funds needed to narrow the budget gap will come from an increase in petrol tax of Schl.20 a litre, higher local taxes for companies and the receipts from privatisation.

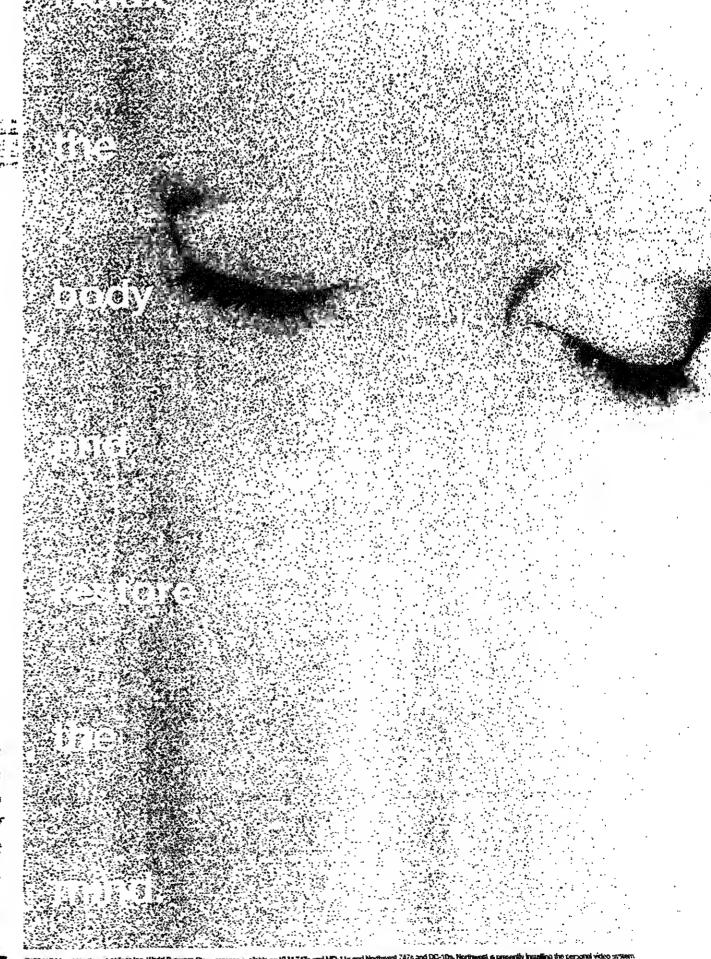
stakes in the country's two largest banks, Creditanstalt and Bank Austria, could net around Schisbn. The deal will stave off a break-up of the the coalition, which has been in constant crisis since both par ties suffered beavy losses in the October 1994 elections.

At a joint press conference, Chancellor Franz Vranitzky, a Social Democrat, and his deputy, Mr Erhard Busek, from the OeVP, also cited the accord as a guarantee against any pressure on the schilling.
A Sch100bn budget deficit

represents around 4.5 per cent of GDP. With the help of future savings, the shortfall is on track to shrink to 3 per cent of GDP by 1998.

The deal also shows that the system of social partnership, which is based on close co-operation of business, unions and government, is still working in Anstria. After weeks of protests by various interest groups, the unions

accepted some painful cuts.
Smoothing the negotiations was the fear that the coalition's collapse could bring to power the far-right Freedom The petrol tax increase alone should yield Schlobn, and the







Indian bank warns | Korean peace on rash poll pledges moves dogged

India's central bank yesterday nataka, the newly elected chief warned the country's state governments to initiate budgetary reforms and make more efficient use of resources to avoid being swamped by debt.

The Reserve Bank of India's remarks come on the eve of election campaigns in six Indian states for polls later this month and to March.

"It is a direct message to individual governments not to make populist poll promises that would contribute to the already alarming proportions of debt burden on the states," a bank official said.

In Andhra Pradesh, prime minister Narasimha Rao's home state, the regional Telugu Desam party defeated the ruling Congress (I) party in elections last Novemebr with the promise of rice at only Rs2 (4 pence) a kilo instead of the normal Rs6-Rs10. Economists estimate the rice subsidy will swallow up a third of the state's revenues if the party

In the southern state of Karminister Mr H D Devegowda recently announced a waiver of interest on farm loans that will benefit 1.2m farmers. In Maharashtra, which goes

to the polls on February 9 and 12, the opposition Hindu Bharatiya Janata Party and its more militant allies, the Shiv Sena, are promising cheaper food for the poor, and to hold steady the prices of five essential commodities, including rice, for the next five years. The ruling Congress party is

under pressure to match these unprecedented poll promises, which could result in an increase in subsidies on grains, agriculture and energy. The World Bank has consistently warned India to ease out subsidies if the country's reform

programme is to work.
The Reserve Bank of India has entered the election fray to rioration in fiscal imbalances' in the coming year. In its

monthly report the bank said increased costs could restrict infrastructure development.

The RBI said one of the most disturbing elements in state government finances was the frequent use of expensive loans to cover the increasing revenue deficits.

Bank officials said the combined outstanding domestic debt of the Indian state governwould rise to Rs1,822.2bn by next month from Rs1,588.5bn last year.

"Indian states have traditionally overspent budgets allocated to them, and looked to the central government to wipe out their deficits in times of crises." said an economist with the government's Finance Commission, which allocates resources to the states.

The RBI has called on state

governments to improve tax collection, and to introduce measures to make public utili-ties more efficient. State gov-ernments pay for roads, elec-tricity, schools, and subsidised

by propaganda

North Korea yesterday rejected a proposal by Seoul to open its borders to South Korean visitors in a further example of how efforts to promote dialogue remain bogged down in a propaganda war.

The issue of inter-Korean contacts bas taken on increased urgency since the US warned recently that implementation of its nuclear agreement with North Korea could be delayed if Pyongyang refused to conduct political negotiations with South Korea. In an attempt to revive the talks, which have been suspended for the past two

years because of the nuclear dispute. Seoul last week proposed a high-level meeting with Pyongyang to discuss allowing South Korean citizens to visit North Korea.

rated from relatives in the North by the 1950-53 Korean war, to travel to Pyongyang to attend an international festival in April that North Korea hopes will attract 10,000 foreign visitors. It also proposed an exchange

of journalists and the easing of restrictions on Sooth Korean nusiness travel to the North. North Korea rejected the offer in a commentary in the Rodong Shinmun, the newspaper of the ruling Korean Workers' party, describing it as "a

discourteous act".

Pyongyang seemed to see the offer as a pretext by Seoul to re-establish an official dialogoe. This runs counter to North Korea's strategy of trytog to isolate the Seoul government by promoting contacts with other sectors of South Seoul said it would permit North Korea last month, for



Former South Korean opposition leader Kim Dae-jung yesterday welcomes Mikhail Gorbins wife Raisa. Mr Gorbachev has offered to mediate to revive a planned Korean summit es Mikhail Gorbachev and

example, suggested that a "grand national conference" on unification be convened to celebrate the 50th anniversary of Korea's liberation from Japauese colonial rule. It sent invitations to non-governmental organisations and oppositiou politicians in South Korea. South Korea has rejected the

proposal because it is outside of North Korean president Kim the framework of existing

inter-Korean agreements. Meanwhile, Mr Mikhail Gorbachev, the former Soviet president, has offered to mediate to revive a planned summit between the leaders of the two Koreas that was postponed last

technical assistance, says there

has been a surge in requests

for advice on foreign exchange,

the creation of financial insti-

tutions, monetary policy, and

the operation of interbank money markets. The BOJ bas

put more than 500 foreign offi-

cials through its training

courses in the past year, up from 150 in 1991.

In addition, more than 20 senior BOJ officials are now on

secondment to the central banks of Russia, Vietnam and

Kurdistan among others.

They find it helpful to learn

from our experience of rela-

tively recent sconomic

restructuring," says Mr Nogu-

unlike its more forward coun-terparts at Mitl and the finance

ministry, it does not advocate

any particular economic model

to its pupils. All the same, the

growing influence on develop-

ing countries' economic poli-

The bank stresses that

South Korean President Kim Young-sam has expressed optimism that a summit is still possible once Mr Kim Jong-il, son of the late president, formally takes power in North Korea, which many analysts believe will occur this spring.

Pedlars of the Japanese model to developing world

William Dawkins reports on Tokyo's aid officials with more regard for their alternative than free market orthodoxy

"Free market theory has failed in many areas like Russia, eastern Europe and sub-Saha ran Africa because it is too short sighted and too market oriented. Not enough attention was paid to these countries' own ecocomic and social struc-

This striking denunciation of the orthodox western approach to economic restructuring and development might not matter if it came from an abstract theorist. But it comes from someone deeply involved with aid policy in Japan, the world's largest donor - Mr Katsuhisa Yamada, the head of Japan's Institute of Developing Economies, a state agency which runs a school in Japanese industrial policy for aspiring Asian bureaucrats.

His message is one which the Japanese government is preaching to growing numbers of developing countries, mainly its Asian neighbours, who feel uneasy about trying to apply traditional free market advice from the World Bank and the International Monetary Fund.

Japan's own experience suggests a different way, says Mr Yamada. "Japan started from 8 planned economy post war, to become gradually liberalised over the years. I would say we are now 80 per cent of the way to being a free market econshould be more like 50 per cent. We are not saying that developing countries should imitate Japan. But they do to western countries we have

ueed to study an alternative to ueo-classical economic theory. Mr Yamada represents a powerful generation of bureau-crats who believe that Japan should shrug off some of its old diffidence and contribute ideas, not just cash, to others' eco-

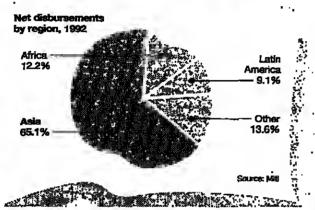
Another articulate advocate of an Asian alternative to western free markets is to be found at the ministry of finance, in the shape of Mr Eisuke Sakakibara, the forthright president of the institute of fiscal and monetary policy, another recently established training body for foreign officials. Mr Sakakibara says the most

important difference between the Asian and so-called "neoclassical" market economies is the balance between compa-nies' use of direct and indirect funding. Businesses in pure free market economies raise most of their funds directly. from the equity or bond markets. In Japan, banks provide most of the funds. It is easier for the government to influence lending than direct financing, where markets allocate cash irrespective of govern-

ment policy, he says.

Another virtue of a strong savings-based banking system, rather than capital markets, is that it supports social and cultural traditions through local banks lending to local businesses, he argues. That is why,. while "we have lost lots of our Japanese-uess, but compared

Japan's overseas development aid



maintained some of our tradi-tions," says Mr Sakakibara , well known in the Tokyo bureaucracy for his love of

Japanese history.
"At the same time, Vietnam can modernise its economy without becoming Japanese or western, without losing completely its germane culture,"

This year, between 500 and 600 foreign government officials will attend courses in economic development run by the ministries of international trade and industry, finance, foreign affairs and the Bank of Japan. These numbers bave three years and officials say requests for advice are growing fast.

ats and the business.

will also leave Tokyo on secondment to developing country governments, or to swell the small ranks of Japanese staff on multilateral development agencies. Japan has started to tutor its neighbours partly in response to demand from them. But it is also less shy about spreading its message, emboldened by six years as the

world's largest aid donor, more than \$10bn in 1995. Japan's confidence in its mixed economy was strength-ened further by a 1993 World Bank report admitting that state intervention can be useful. While Japan paid for the out proudly that they had no hand in writing it.

Officials stress that there is Scores of Japanese officials no plan to impose Japanese

economic ideas. The aim, they say, is to leave pupils to draw their own conclusions from the main points in Japan's postwar economic development, including the state's use of post office savings to channel cheap funds through a panoply of specialised banks, into prior ity industries. To this is added the tradition of wbst one bureaucrat calls "people-ism"
- the consensus that companies are for the benefit of employees and customers, with shareholders last.

And yet, there is a strategy behind the message. Most of Japan's economic advice comes from government bodies, rather than private sector universities. The countries eligible for free training at Mr Yamada's school, an offshoot of the ministry of international trade and industry, are targeted - all lucrative markets for Japanese

While Miti spreads its industrial policy experience, the ministry of finance has for the nast three years run courses for foreign officials on such subjects as relations between the state and banks, and financial reform. The biggest finance ministry trainee is China, for which the ministry set up a study group and annual seminar programme in 1993, part of a deepening in began at the time.

China's economic vice-premier, Mr Zhu Rongji has listened to the message from

Tokyo and shown interest in istry pupils is getting longer. They inclode Poland, which setting up an equivalent of Japan's fiscal investment and recently sent a mission to ask loan programme, under which Japan's advice on training tax officials, plus Malaysia, Viet-nam, India and Burma. post office savings are used to fund public works. He has also drawn up plans, in the past year, for specialised banks, for export finance, industrial development and agriculture, Tokyo's most experienced tutor of developing countries is the Bank of Japan, which has been giving "technical assis-tance" to its Asian neighbours based on Japanese originals.

Japan has also warned Mr for the past 30 years.

Japan is also less shy about spreading its message, emboldened by six years as the world's largest aid donor

Zhu to go slow on plans for a

Beijing stock market, in addi

tion to the existing market in Shanghai. First, China should build up laws on bankruptcy, accounting and disclosure.. Without these, a stock market would be a mere "gambling casino" the finance ministry's Mr Sakakibara advises. Share prices might rise sharply at first, but at the first sign of trouble, the bubble would burst, he argues. Cynics might point out that, on this subject, an important part of Japan's Japan speaks from recent expe-

The list of other finance min-

Philippines GNP rises by 5.1%

Growth in the Philippines' gross national product almost doubled last year to 5.1 per cent compared with 2.6 per cent in 1993. The upturn was led mainly by a 10.1 per cent rise in foreign investment and a 19.6 per cent surge in exports, according to figures from the National Economic Mr Yoshihiko Noguchi, chief and Development Anthority. manager for central banking

Domestic output grew by 4.3 per cent from 2.1 per cent the previous year, fuelled mainly by a 17.4 per cent growth in the construction industry and an increase of 13.8 per cent in the utilities sector.

Inflation in January was 6.2 per cent compared with 9.1 per cent in January 1994. Edward

Burma prisoners Four more political prisoners were released in Burma yesterday, including two members of detained opposition leader Aung San San Kyi's National League for Democracy, the official Myanmar Agency reported. AP, Ran-

Thai reserves

Thailand's December 1994 foreign reserves of gold, special drawing rights and convertible currencies rose to \$30.28bn from \$29.74bn in November, the Bank of Thailand said. Reuter, Bangkok

EniChem Synthesis

Invitation to offer to purchase the assets and the business operating in the petrochemical catalysts sector

EniChem Synthesis SpA (entirely owned by EniChem SpA), ' registered with the Palermo Court, Companies' Registry no. 31302237/29, intends to receive end evaluate offers for the acquisition of the assets and business operating in the petrochemical catalysts (cumene end oxychlorination) sector. Production is currently carried out at a plant in Sesto San

In 1994 the assets end the business to be sold achieved total sales of approximately Lit. θ billion. The total workforce was 18 employees at December 31, 1994.

For the purposes of this transaction EnlChem Synthesis SpA has engaged the services of Samuel Montagu & Co. Limited ("Samuel Montagu"), to whom interested parties should direct any anguiries. The relevant persons at Samuel Montagu can be contacted at the following eddress: Samuel Montagu & Co. Limited

10 Lower Thames Street, London EC3R 6AE, England Arnold Shipp, tel. (44-71) 2609466 Maurizio d'Andria, tel. (44-71) 2609448 Giulio Centerelli, tel. (44-71) 2609137 Fax (44-71) 2609819

The present ennouncement is directed to limited liability companies which should register their interest in writing with Samuel Montagu no later than 16 February, 1995, by let fex, and apply for an information memorandum specifically prepared for the sale.

EniChem Synthesis SpA reserves the right, at its sole discretion end without assigning eny reason, to refrein from providing the information memorandum to eny interested party. The information memorandum will be sent after a confidentiality agreement has been validly signed by an officer or legal representative of the company and returned to Samuel Montagu no later than 24 February, 1995.

Togethar with the confidentiality agreemant, interested parties must send a copy of their own financial statements of the last three years, e description of their activities end of the industrial end economic radonele for the investment. Brokers or egents of eny kind must disclose the identity of the

company they represent. This represents an invitation to offer but does not nt a public offer ax art. 1336 of the Italian Civil Code. Neither this invitation, nor the receipt of any offers by EniChem Synthesis SpA will create, with respect to EnlChem Synthesis SpA, any obligation or comm to sell to any bidder and, with respect to any bidder, any right to demand any performance whateover by EniChem Synthesis SpA (including, without limitation, the payment of any brokerage or advisory fees or expenses). EniChem Synthesis SpA also reserves the right to terminate at any time and without any reason or explanation whatsoever as regarding the possible sale of the

Whilst every reasonable effort has been made to ensure that this ennouncement accurately reflects the Italian text of the announcement appearing in "Il Sole 24 Ore" end other Italian newspapers, on 7 February, 1995, in the event of any discrepancy

This advertisement and the sale procedure ere subject to Italian law. In case of controversy related to the above, the Court of Milan (Italy) shell have sole jurisdiction. This advertisement, for which EniChem Synthesis SpA is

ible, has been approved by Samuel Montagu & Co. Limited, a member of the Securities and Futures Authority, for the purposes of Section 57 of the Financial Services Act 1986. Samuel Montagu & Co. Limited is acting for EniChem Synthesis SpA in relation to the publication of this advertisement and is not acting for any other persons and will not be responsible to such persons for providing protections afforded to custome of Samuel Montage & Co. Limited or advising them as to

any matter referred to herein.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985-100.

	E UNIT	ED ST	TATES			I JAP	AN					GER	MANY			
	Equarts	Vitalisia trade training	Current acquest balance	Eco exchange cuts	(Checkey exchange rate	Exports	White trade between	Correct septemb belongs	Scs anthrops rata	Effective exchange rate		Exports	Visible trade	Correct eccount believes	Ecu euchtege pate	Effective exchange yate
1985	279.9	-174.2	164.5	0.7623	100.0	230.9	78.0	64.5	180.50	100.0	_	242.7	33.2	21.7	2.2260	100.0
1986	231.0	-140.6	-153.7	0.9838	80.2	211.1	96.2	87.0	165.11	124.4		248.5	53.4	40.3	2.1279	
1987	220.2	~131.B	-144.B	1.1541	70.3	197.3	86.1	75.3	166.58	133.2		264.3	56.7	39.8	2.0710	
1986	272.5	-100.2	-108.3	1.1833	66.0	218.8	80.7	86.7	161.51	147.3		272.8	61.6	42.9	2.0739	714.6
1989	330.2	-99.3	-93.3	1.1017	69.4	245.3	70.6	52.8	151.87	141.9		310.2	65.4	52.3	2.0681	113.6
1990	309.0	-79.9	-72.0	1.2745	65.1	220.0	50.1	28.3	183.94	126.0		324.4	51.8	36.9	2.0537	119.1
1991	340.5	-53.5	-5.6	1.2391	64.5	247.4	83.1	62.9	166.44	137.0		327.4	11.2	-15.7	2.0480	117.7
1982	345.9	-65.2	-52.4	1.2957	62.9	254.8	101.7	89.8	164.05	142.9		330.6	18.8	-17.0	2.0137	121.
1993	397.3	-96.7	-88.8	1.1705	65.6	300.0	121.0	111.0	130.31	173.8		322.9	81.4	-16.7	1.9337	124.0
1st qtr.1994	106.9	-28.9	-28.7	1,1244	66.8	81.1	32.8	30.1	120.95	182,5	_	81.9	7.9	-5.9	1.9370	122./
2nd qtr.1994	107.7	-32.7	-32.7	1.1605	65.2	81.7	31.6	28.7	119.84	187.1		89.7	11.2	-2.7	1,9276	
3rd qtr.1994	106.7	-33.5	-34.1	1.2232	82.8	80.4	30.1	26.2	121.14	189.9		88.7	8.2	-13.4	1.9088	
4th qtr.1994				1.2346	62.3			_	122.03	189.1					1.9056	126.5
James 1994	35.2	-9.7	n.a.	1.1139	67.5	27.1	11.9	11.2	124.03	177.0	_	25.8	8.1	-1.9	1.9415	122.3
February	34.1	-10.8	r.a.	1.1184	68.7	26.9	11.9	- 10.1	116.77	185,2		28.3	5.2	-23	1.9397	121.
Merch	37.5	-8.4	· n.a.	1.1410	66.1	27.2	10.2	8.8	120.04	185.3		26.8	1.2	-1.9	1.9299	123.2
April	36.1	-10.8	П.В.	1.1385	66.0	27.9	11.3	10.9	. 117.79	186.8		29.1	4.6	-0.6	1.9335	122.0
May	35.4	-11.1	n.s.	1.1622	65.3	. 26.1	9.6	7.9	120.57	188.2		30.2	3.0	-2.3	1.9265	123.5
June ·	36.8	-11.0	п.в.	1.1808	84.6	28.0	10.8	10.0	121.06	186.8		30.5	8.8	0.1	1.9228	124.2
July	33.6	-12.2	n.e.	1.2137	63.0	26.8	11.1	8.9	120,00	191.5		29.0	2.1	-7.0	1.9117	125.7
August	37.0	-10.5	n.a.	1.2196	63.1	26.9	9.2	7.8	121.85	189.7		30.5	4.0	-3.5	1.9075	126.
September	36.1	-10.9	n.a.	1.2312	62.3	28.7	9,3	8.5	121.58	189.6		29.3	2.1	-2.8	1.9073	126.
October	35.3	-11.0	n.a.	1.2544	81.5	25.4	8.0	6.4	123.44	188.2		· 81.3	3.5	-3.9	1.9072	126.4
November	36.6	-11.7	n.a.	1.2369	62.1	27.5	10.7	8.8	121.21	190.5				0.3	1.9044	126.3
December 1994			n.a.	1.2126	63.4				121.44	188.7					1.9054	126.
	E FRA	NCE				E ITAL	Y .					UNIT	ED KI	NGDOI	M	
	Paparts	Visible	Current secount belonce	Etra entirepro	Blectes	. America	Wallen Trans	Contrast. account	Sine enthange	Elleaboy markenge			Visitio Utalio	Correct	Edu anchange	Ellective

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1985	133,4	-3.7	-0.2	6.7942	100.0	103,7	-16.0	-5.4	1443.0	100.0	18	24	-5.7	3.8	0.5890	100.0
1986	127.1	0.0	3.0	6.7946	102.8	99.4	-2.5	-1 <i>A</i>	1461.5	101.4		8.3	-14.2	-1.3	0.6708	91.6
1907	128.3	-4.6	-3.7	6.9265	103.0	100.7	-7.5	-21	1494.3	101.2		23	-18.4	-7.1	0.7047	80.1
1958	141.9	-3.9	-3.4	7.0354	100.8	108.3	-8,9	.e.	1536.8	97.9	12	0.9	-32.3	-25.0	0.6643	95.5
1989	162.9	-6.3	-3.6	7.0169	99.8	127.9	-11,3	-17.0	1509.2	98.6	18	7.0	-36.7	-33.5	0.6728	92.8
1990	170.1	-7.2	-7. 2	8.9202	104.8	133.6	-9.3	-18.0	1523.2	100.6	14	23	-26.3	-26.6	0.7150	81.3
1991	175.4	-4.2	-4.9	6.9643	102.7	137.0	-10.5	-17.7	1581.9	98.9	14	7.7	-14.7	~11.7	0.7002	81.7
1992	182.6	4.6	28	8.8420	106.0	137.9	-8.0	-20.6	1591.5	95.7	14	5.9	-17. S	-13.4	0.7359	63.4
1993	179.5	13.4	8.9	6.6281	108.3	144.3	17.9	9.8	1836.7	79.6	15	6.1	-17.0	-14,4	0.7780	80.2
1st qtr.1994	48.5	2.4	3.4	6.5881	108.0	37.5	3.4	1.1	1892.8	76.2	4	2.3	-8,9	-1.9	0.7554	81.3
2nd qtr.1994	48.7	3.2	0.9	6.5967	108.0	40.7	4.7	2.8	1861.2	77.9		3.0	-3.1	-1.4	0.7716	80.0
3rd ctr.1994	49.9	3.1	23	6.5362	110.0	28.0	6.2	1.4	1920.2	75.6	4	4.1	-2.0	1.0	0.7885	79.2
4th atr. 1994				6.5426	110.1				1960.2	74.0					0.7791	80.2
January 1904	15.3	0.28	2.38	6.5956	107.9	10.2	0.1	-0.9	1892.5	76.2	_ 1	4.4	-1.2	n.a.	0.7458	82.4
February	15.2	0.74	-0.29	6.5905	107.9	12.8	1.5	1.3	1883.9	76.4	1	4.0	-1.1	n.a.	0.7557	81.0
March	18.0	1.35	1.36	6.5782	108.3	14.5	1.7	0.8	1901.9	75.9	1	3.9	-1.6	n.a.	0.7649	80.5
EngA EngA	15.8	1.19	0.54	6.6240	107.1	12.8	1.4	1.0	1850,1	78.0		4.5	-0.9	n.a.	0.7673	60.0
May	16.6	1.16	0.53	6.5972	107.9	13.7	1.9	0.9	1852.9	78.2		4.0	-1.3	TLB.	0.7733	79.9
June	16.3	0.88	-0.19	5.5688	108.8	14.0	1.7	0.9	1880.5	77.1		4.4	-1.0	n.a.	0.7741	80.1
July	18.0	0.68	1.17	6.5508	109.7	14.2	3.1	1.9	1904.5	76.3	. 1	4.5	-0.7	n.e.	0.7881	79.2
August	17.1	1.11	-0.04	6.5347	110.2	9.9	2.0	1.9	1928.3	75.4		4.9	-0.6	n.a.	0.7908	79.0
September	16.7	1.35	1.18	6.5233	110.3	14.0	1.1	-28	1928.0	75.3		4.8	-0.7	n.a.	0.7867	79.3
October	17,3	1.69	0.47	6.5281	110.5	13.8	1.9	0.4	1942.9	74.9		4.8	-0.6	n.a.	0.7812	80.2
November	17.2	1.05		6.5386	110.1	14.0	1.1	,	1958.1	74.0			-0.0	n.a.	0.7786	80.2
December 1994				6.5612	109.3				1979.6	73.2				n.a.	0.7775	80.1
														194024	U	OQ. 1

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (tree on board) basis, except for German and Italian imports which use the CIF method (including carriage, and import data are calculated on the role (including June 1990, shown in Italics, refer to the former West Germany. The nominal effective exchange raise are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central

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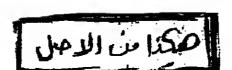
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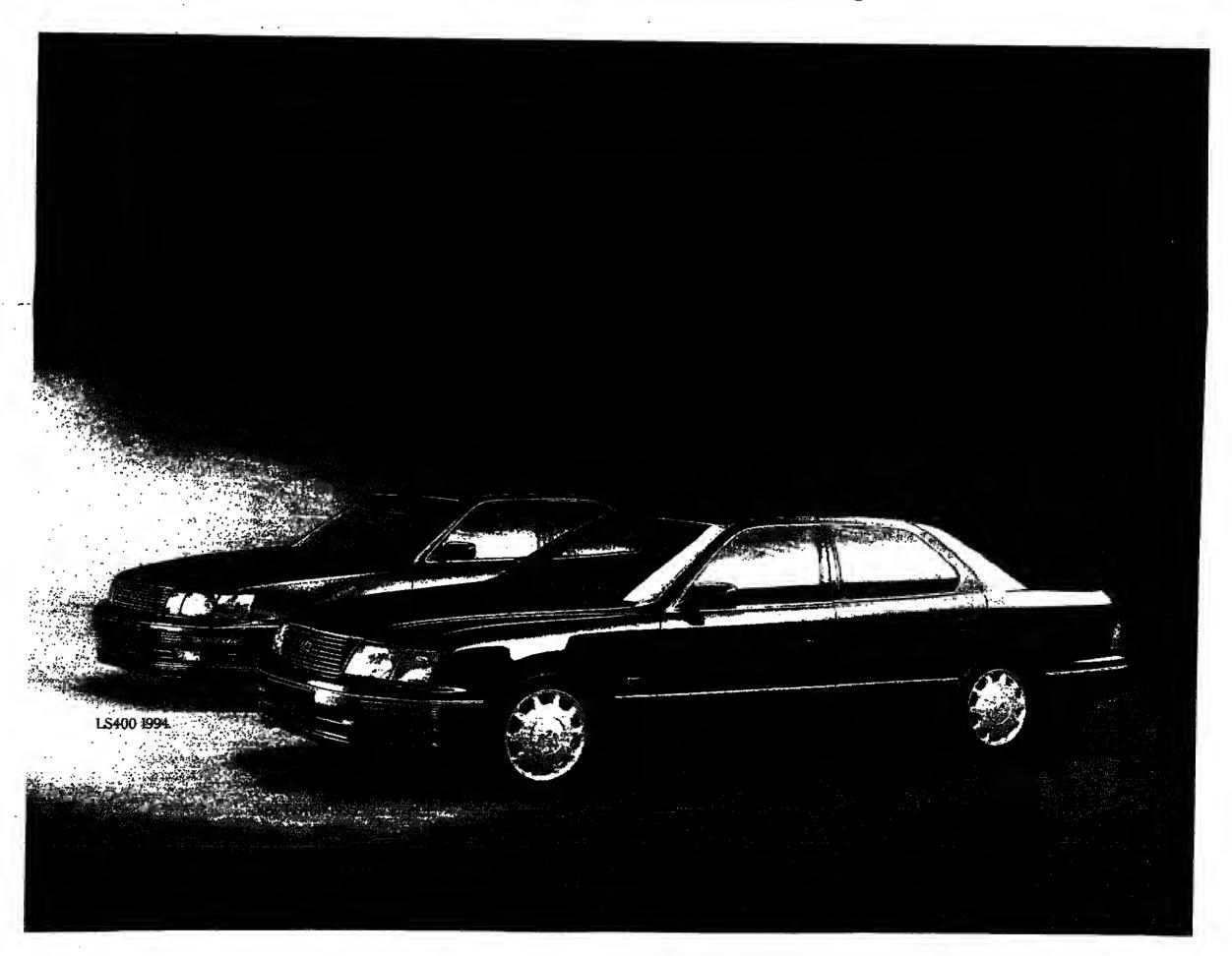


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FINANCIAL TIMES TUESDAY FEBRUARY 7 1995 *

Clinton budget a manifesto to middle classes

The White House proposal should be seen in light of any Republican alternatives, writes Michael Prowse

party does not control Congress, the White House budget proposal is as much a political manifesto as a serious blueprint for economic policy.

This is certainly true of the 1996 budget. President Bill Clinton's main goal is to convince voters that his proposal for tax cnts - the so-called "Middle Class Bill of Rights" is superior to anything that cougressional Republicans might propose in coming months. The deficit-cutting strategy once portrayed as the heart and soul of "Clintonomics" is discarded because it did not sell well with the electorare last November.

The budget presented yester-day might have appealed to Jeremy Bentham, the 18th century English philosopher. It does not quite advocate "the greatest happiness of the greatest number" but it does promise to "improve living standards for the greatest possible number of American families". On the first page, voters are

By Jurek Martin, US Editor,

The US government operates

on the principle that the presi-

dent proposes and Congress

matters, foreign policy some-times excepted, but it applies in spades to the federal budget.

Rarely does Congress buy

into the president's budget pro-

posals lock, stock and barrel.

Some have been influential in changing national policy -

such as President Ronald Rea-

gan's first two tax-cutting bud-

gets and President Bill Clin-

ton's \$500bn deficit reduction

budget of 1993, which ulti-

mately passed in recognisable

form by a single vote in both houses. Many have been con-sidered "dead on arrival" on

At first sight, there is no

chance that the edition

unveiled yesterday will emerge

relatively unscathed, for the

simple reason that the Republi-

can Congress is intent on cut-

ting spending and taxes more

deeply than the president. Mr Clinton's budget may serve as

a reference marker for what-

ever Congress ultimately

decides, but beyond that its

the House of Representatives,

egged on by Congressman

Newt Gingrich, its Speaker, was yesterday girding itself to

approve giving the president more, not less, budgetary

authority in the shape of the

line item veto. This would

enable him to strike out offend-

ing items of spending, most

obviously "pork barrel" pro-

jects, without sending a whole bill back to Congress unsigned.

an amendment to the US con-

stitution that would require a

balanced budget by the year

2002. This has already passed

the House but faces an uncer-

tain future in the Senate.

where Democrats are continu-

ing to demand that Republi-

cans specify precisely what

spending cuts would be neces-

The Republicans also want

Yet, in an odd political irony,

fate is uncertain.

Capitol Hill.

That is true of most

\$7,411 \$18,647 \$31,260 \$48,572 \$98,589 \$163,228 1980 57,567 \$18,834 \$31,079 \$45,787 \$81,638 \$121,998 Growth 1980-93 -2.1% -1.0% 0.6% 6.1% 20.8% 33.8% reminded that the fruits of eco-

Congress challenged to cut deep

\$351bn

Not interest

270 -

Defence funding initiative (Soci

251.6

months ahead on the uon-

entitlement parts of the budget

debate, including reduced

spending on welfare, lower

subsidies for the arts and non-

commercial broadcasting, and

various environmental pro-

grammes. It may be that the

public appetite for specified

spending cuts will prove to be

less than for the generalised

principle of a smaller govern-

ment, which at least the

nomic growth in recent years have been distributed in a most unjust manner. Between 1980 and 1993, the household income of the top 5 per cent rose 34 per cent in real terms and the top fifth by 21 per cent. Everybody else did badly: the incomes of the bottom 20 per cent fell by 2 per cent after allowing for inflation.

Average household income

The "bill of rights" is Mr Clinton's answer to what he perceives as the nation's most serious economic problem: stagnant or falling incomes for the bottom 60 per cent of the population. It consists of: ● A \$500 tax credit for each child under the age of 13. A tax deduction worth up to

But, assuming the more

modest line item veto passes the Senate as well as the

House, it will be months before

Mr Clinton will be in a position

to exercise his new-found power, which he has argued for

almost as vehemently as the

This is because the budget

ongress must come up with

approval process is protracted.

no less than 13 agreed budget-

ary appropriations bill by Sep-

tember 30, the day before the

next fiscal year starts. It is not

unknown for that deadline to

Complicating matters this

year is the determination of Mr

Gingrich to have introduced -

and hopefully passed - within

100 working days legislation on the ten broad subdivisions in

All of them - ranging from tax-

ation through crime and

defence to external assistance

- have budgetary implications.

ambitions dwarfs the numbers

in the president's budget. Yet

there is no hard evidence that

the Republicans, any more

than the president, are yet will-

ing to take on the sacrosanct

"entitlement" programmes -

social security, Medicare and

Medicald. Snch direct pay-

ments to individual Americans

now comprise 48 per cent of

government budgetary outlays, three times as much as is

Politicians do talk about

reforming entitlements. Presi-

dent Reagan used to and the

habit is more common now

because reducing them appears

the key to balancing the bud-

get. But it remains axiomatic that the political risk attached

to doing something is very

By offering a "steady as she

goes" budget, with interesting

administrative restructuring

but no bold initiatives as two

years ago, the president is in

effect challenging Republicans

to cross the political line into

the red zone of potentially

That will be tested in the

adverse public reaction.

devoted to national defence.

The scale of the Republican

"Contract with America".

become very real.

Republicans.

\$10,000 for post-secondary academic or vocational tuition. Extended tax relief for saving through Individual Retirement Accounts (IRAs). Skill grants for low-income

workers, the unemployed and adults who need retraining. The package would cost \$63bn over five years, or nearly I per cent of gross domestic product. And it is carefully designed so that only deserving middla and low income groups would benefit. The child tax credits, for example, are phased out at incomes of between \$60,000 and \$70,000 a year while families earning more than \$100,000 would not benefit from more generous

Federal deficit (as % of GDP)

per cent of the overall tax relief: more than 50 per cent would go to families with incomes between \$30,000 and \$75,000 - the quintessential

Mr Clinton argues that Republicans want to cut taxes mainly to help upper-income groups. His bill of rights is dif-ferent because it would ease the burden of child-rearing while encouraging the kind of behaviour required if middle-income families are to become more prosperous: more saving, longer years of study and additional skill training.
Were it to be enacted (which

it will not be in its current form, because Republicans con-trol the congressional legislative machinery). Mr Clinton's tax cuts might have provided marginal benefits. But it is unlikely that fiscal tinkering would counter a two-decade old trend toward more unequal pre-tax incomes - a trend that many economists now attri-

Clinton's budget

Clinton budget espouses.

made much at briefings yester-

day of the importance of pre-

serving fiscal discipline as the

economy settles in to a more

moderate but sustainable and

non-inflationary growth path.

That may be seen as a clear

challenge to Republicans not

to repeat the policies of the

1980s which resulted in a qua-

Administration officials also

mates that families on less And by seeking to use the tax than \$100,000 would receive 87 code as a tool for social engineering, Mr Clinton has broken with the enlightened binartisan consensus on tax policy established in the 1986 tax

> The problem with reverting to the old policy of using the tax code to promote good causes is that fiscal relief tends to outlive its usefulness; mortgage interest and healthcare deductions, which are no longer justified, currently cost the US Treasury about \$110bn a

The larger objection to the

bill of rights is that it would do

less for the "forgotten middle classes" than the previous

reform act.

strategy of cutting the deficit. This would have raised the national savings rate and, probably, the rate of growth of productivity, with benefits for workers at all income levels. Mr Clinton admittedly achieved much less on the defi-

cit front than he likes to claim: the structural budget deficit has fallen by only about 0.5 per cent of gross domestic product

Defence

cuts to

bottom

By George Graham

President Bill Clinton has

proposed cutting defence

spending by \$6.8bn (£4.3bn) to

\$246.7bn next year, with a fur-

ther \$3.2hn to be cut in 1997

before military spending

begins to rise again in

The budget proposal includes the additional spending prom-ised by Mr Clinton in Decem-

ber to maintain military readi-

ness and pay increases for the US armed forces. Senior

defence officials said the bud-

get proposal would trim mili-

tary spending after inflation by

10 per cent over the next two

years, but it would rise in real

They added that, by the end

of fiscal 1996, US forces will be

drawn down virtually to the

size set by the Bottom Up

Review of defence strategy con-

ducted in Mr Clintou's first

year in office, based on the need to be able to fight two

near-simultaneous major

The defence budget seems

sure to set up a clash, not only

between the Clinton adminis-

tration and the majority

Republicans in Congress, but

also among the Republicans in

Congress who are divided

between those, such as Con-

gressman John Kasich, who

emphasise a "hard freeze" on

spending and others, such as

Congressman Floyd Spence, who fear cuts have created a

One area of disagreement is

likely to come over ballistic

missile defences, where Repub-

licans are committed to accel-

erate the deployment of both

theatre and national ballistic

missile defence capabilities.

The Clinton budget proposes only \$2.9hn for ballistic missile

regional conflicts.

"hollow force"

terms in 2000 and 2001.

out

1998-2000.

1983 ·	1994	1995	1995	1967
-	· .			= 004
8,343	6,735	7,117	7,507	7,921
3.1%	3.9%	2.4%	2.5%	2.5%
3.0%	2.8%			3.2%
6.7%	6.1%	5.8% .	5.9%	5.8%
9.046	4 296	5.996	5.5%	5.5%
		7.9%	7.2%	7.0%
	1983 8,343 8,1% 3,0% 8,7% 3,0%	1983 1984 8,343 6,735 3,1% 3,8% 3,0% 2,8% 6,7% 6,1%	1983 1684 1885 8,343 6,735 7,117 3,1% 3,8% 2,4% 3,0% 2,5% 3,1% 6,7% 6,1% 5,8% 3,0% 4,2% 5,9%	1983 1984 1985 1998 8.343 6,735 7,117 7,507 3.1% 3.9% 2.4% 2.5% 3.0% 2.8% 3.1% 3.2% 6.7% 6.1% 5.8% 5.9% 3.0% 4.2% 5.9% 5.5%

"Because of a January 1904 change in survey method: Bracily comparable to those for subsequent years.

since he was elected - to about 2.8 per cent of national income. The reason for this slow prog-ress is that the Clinton admin-

istration has taken no action to curb growth of the big "entitlement" programmes such as Medicare (healthcare for the elderly) and raised taxes only on 1-2 per cent of wealthy fami-

But most economists would agree that slow progress on the deficit is better than throwing in the towel. The budget pres-ented yesterday projects annual federal deficits of \$200bn as far as the eye can see. Mr Clinton has handed Republicans the politically unpalatable task of proposing a responsible fiscal policy.

US BUDGET DIGEST

Power sources may be sold off

Electrical power generators owned by the US federal government could be up for privatisation if a proposal in the

Clinton administration's budget becomes law. The budget, published yesterday, proposes selling off four regional power marketing administrations to raise a net total of \$3.7km (£3.3km) over the next five years. Other asset sales,

could raise another \$3.6hn over the next five years. Mr Newt Gingrich, speaker of the House of Representatives. has recently spoken approvingly of the concept of privatisation, but Republican enthusiasm for privatising the power marketing administrations is not assured, because these pro-

The Congressional Budget Office calculated last year that the government charged an average of two cents per kilowatt-

Environment to gain

mental Protection Agency with a 15.8 per cent increase, the Transportation Department with a 10 per cent increase, and the Commerce Department with 9.3 per cent.

ideologically opposed to government involvement in R&D, arguing it can be handled more efficiently by the free market. But the administration warns, in its budget report, of increasing economic competition in the global economy.

cent to \$14.75bn (£9.3bn) in President Bill Clinton's proposed budget for the 1996 fiscal year, with an increase in development aid and continued heavy aid to Israel and Egypt.

sarmarked for the former Soviet Union, with another \$371m simed at defence conversion and the dismantling of nuclear weapons. Eastern Europe is pencilled in for \$480m.

The foreign aid segment of the budget, however, is one most likely to be savaged by the Republican-controlled Congress. George Graham and Nancy Dunne, Washington

vide heavily subsidised electricity, especially to the western

hour for its electricity, about 50 per cent below the market price. Selling the power to the highest bidder, it argued, could bring in around \$1.2hn a year.

The Clinton administration vesterday proposed to spend \$75hn (£46km) for research and development in 1996, maintaining spending roughly at current levels but continuing a shift from military to civilian projects.

The big gainer from the R&D budget would be the Environ-

But defence R&D spending would decline by 3.1 per cent and agriculture's would fall by 3.6 per cent.

Many members of the Republican-dominated Congress are

Much of the new civilian money would expand existing emissions control and fuel efficiency.

More development aid

Foreign operations spending by the US would rise by 8.8 per Development aid would rise to \$9.15bn under the president's

proposal, with security assistance - most of which goes to Israel and Egypt - rising to 6.01bn.

The administration is seeking \$788m in economic assistance

Venezuela finance minister resigns

The Venezuelan government announced yesterday that Mr Julio Sosa Rodriguez, finance minister and one of the key figures in President Rafael Caldera's cabinet, had resigned, writes Joseph Mann in Caracas. Mr Luis Raul Matos Azocar,

a minister of state and coordinator of the government's foreign exchange control board, will take over the finance post, according to the government statement Mr Sosa is expected to stay

in cahinet as minister of state for international economic affairs. This suggests he will spend much time abroad on issues such as public and private sector external debt, and perhaps trade.

The new minister was planning minister for President Jaime Lusinchi, in office from 1984-88. He lacks Mr Sosa's extensive business experience but is known to share President Caldera's concern that any economic reforms and growth must be accompanied by progress in social welfare.

Also like the president. Mr Matos rejects the free market orientation of the previous

Mexican debt to increase

Mexico's foreign debt will increase by approximately \$17bm (£16.7bm) over the next year, to nearly \$103bn, as the country attempts to replace domestically issued obligations with longer-term securi-ties, reports Ted Bardacke in Mexico City.

According to figures from the Mexican finance ministry, during 1995 Mexico's total public debt will remain the same at \$116.9bm. But the composition of that debt will change radically, with toternal short-term dollar-linked debt, principally tesobonos, being converted into dollar-denominated external debt with maturitles of five to 10 years.

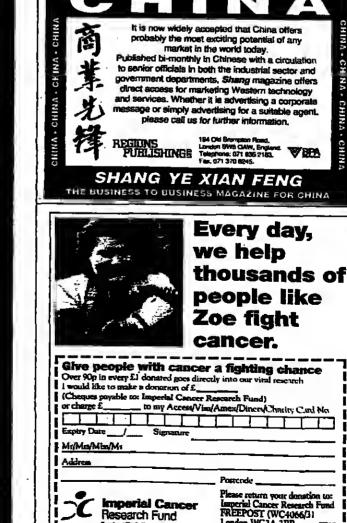
The ministry said that US loan guarantees, forming part of a \$50bn international sup-port package, would be used to back five to 10-year government securities denominated in dollars. The money raised via this new paper would pay off holders of tesobonos and

other short-term instruments. An additional voluntary swap mechanism for bolders of tesoboros is still under study, as is whether new 1250bonos will continue to be issued once the substitution plan is implemented. About 23bn in tesobonos, \$16bn of that held by foreigners, comes duc this year.

The substitution plan, together with December's devaluation, will increase Mexico's overall foreign debt from 86.5 per cent of GDP in 1994 to 64 per cent m 1995. But the finance ministry said that foreign debt was cheaper at the moment and less risky than internal debt.

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ministe

debt to

66 THE corporation is aleady LONG

If there's one thing that the world will never run short of it's business advisers. They're queuing up to offer their personal, and all very different, prescriptions to ease your business ills.

There is, however, one thing on which they all seem to agree.

The traditional, lumbering, top-heavy and multi-layered corporations of today cannot survive in the new chaotic marketplace.

And what do they predict in their place? Federations of smaller companies and groups free to move quickly and efficiently in an ever changing marketplace.

Are they right? Can a Federation really

work? At Cable & Wireless we have to answer an unequivocal "yes" to both questions.

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We've been operating as a Federation for some time and we're now the fifth largest telecommunications group in the world.

It's a position we've attained by steadily building up partnerships with over fifty individual groups, including over a dozen Governments, twenty local companies and more than twenty five other communications operators worldwide.

And when we say "partnerships" we mean it. If the situation demands it, we're prepared to accept a minority share.

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Because of their partnership with Cable & Wireless they were able to trawl the Federation for systems, equipment, advice and even key personnel.

They took a billing system, sales and marketing experience, and technical support from our partners in the UK (Mercury) and Bahrain (Batelco).

In fact they had so much support from the Federation that they were able to get the network running in a record five months.

That's how the Federation has worked for us. Over the next few days we'll be showing how it could work for you.

It's worth a read. After all, your business life might just depend on it.



S Africa's police: riven, angry and underpaid

Roger Matthews finds the force is under pressure from the rapid changes in society

hen, within a week, a white police officer shoots dead a black colleague who had gone on strike to protest about pay and racism, a police graduation ceremony is postponed because eeveral cadets are discovered to have been convicted of serious crimes, and President Nelson Mandela threatens "the full wrath of government" for civil servants who disrupt law and order, it is clear thet South Africa is battling through another agonising phase of its political transition.

The problems of the police are particularly acute and the challenges fac-ing Maj Gen George Fivaz, newly appointed national commissioner of police, are among the most severe of any senior official chosen by the government of national unity in the wake of last April's general election. Mr Fivaz, who will use the title of

commissioner rather than his military style rank as part of an attempt to soften the police image, came to the post with one substantial advantage. He had not been associated with the security apparatus of the police whose prime responsibility was the enforceent of apartheid. Police excesses in defence of the apartheid system generated a hatred towards them which remains one of the most bitter legacies of the previous regime.

Just how much detail South Africans should be given about thet ugly chapter of their history is an issue which has already threatened the stability of the government. President Mandela and Mr F.W. de Klerk, depnty president and leader of the National party, clashed angrily in cabinet last month over an attempt, made in the final days of the previous administration, to grant a blanket

By Farhan Bokhari

ern diplomats.

Afghanistan faces the prospect

of a new Islamic fundamental-

ist takeover, in some ways

more conservative than the

mujahideen factions that have

ruled the country in the past

three years, according to west-

In the past three months, a

formerly unknown group of

religious students calling

themselves Talibans has seized

administrative control of six

out of 29 provinces, and



Tense police standing guard during violent protests by taxi drivers in Johannesburg

token freedoms given under

the three-year-old mujahideen

government in Kabul: thay want women to stop wearing

make-up, even at home, and

would bar them from employ-ment in professions other than

health-care for women or

football and chess, as un-

Islamic pursuits. Despite their

extreme views, tha movement,

estimated to comprise up to 20,000 fighters, is becoming

increasingly popular, diplomats say. In contrast to the

Islamic mujahidaen leaders

who, in their involvement with

They also want to outlaw

teaching in girls' schools.

former ministers and 3,500 police offi-

The Nationalists, who governed who were tortured, or whose relatives sion of culpability.

up in the form of the Justice and Truth commission, but the dehate continues over whether hearings should be in camera and only the adjudications made public. But there is a determination among the dominant African National Congress that, for an amnesty to be given, there must be first a public admission of a

based in Pakistan's northern

sidering launching an offensive

on Kabul, the Afghan capital, to take control of the central

government, from President

Burhanuddin Rabbani and

Prime Minister Gulbuddin

Hekmatyar, well placed muja-

hideen officials say. The Tali-

bans are led by Mohammed

Umar, a shadowy figure whose

The Talibans, mostly graduates of ultra-religious schools,

want almost complete seclu-

background is unknown.

another three may be about to sion of women from society, in fall, say mujahideen factions a way that could end the few

The movement is also con-

city of Peshawar.

Inevitably, the uncertainty is contributing to tension among some white officers, while anger is growing among black colleagues ovar what they see as continued racism. Anger for their lives and many more apply-ing to be transferred from predominantly black areas. More than half

Simultaneously, the police forces of the former black homelands are being incorporated into a single national structure which will in turn be divided into nine regional bodies,

each under a commissioner appointed by Pretoria. Just how much power should be devolved is the subject of fierce argument. The ANC favours

the government were under-lined last week when Mr Fivaz ordered authorities in KwaZulu-Natal to ahandon a police academy graduation ceremony in Ulundi. Of the more than 600 cadets due to graduate, 28 had criminal records including murder, three were wanted by other police forces, and the backgrounds of another 100 had yet to be investigated. A significant number were also thought to be members or office holders of Inkatha, in direct contravention of the ruling which forbids police

from engaging in political activity.

Against such a background it is hardly surprising that the police appear to be losing ground in the battle to contain crime. Although politi-cally motivated violence has declined, murder, rape, burglary and car hijackings all rose sharply last year. Some of that increase may represent a greater willingness by the public to report crimes, but few people doubt that the trend is upward.

In more affinent areas, such as the northern suburbs of Johannesburg, residents rely primarily on the prolif-erating private security companies which provide armed units in response to alarm calls. These companies are now estimated to employ substantially more people than the police, and to pay them better. A police constable initially receives little more than \$250 (£180) a month, and last year's annual pay award failed even to match inflati

The budget in March will reveal what additional sources the government can maka available to help rebuild police morale and calm public fears. Ministers are well aware that investor confidence in South Africa will in part depend on improvements to law and order. The police and the Johannesburg chamber of commerce have decided to begin deploying 250 men from public and private forces in a joint effort to improve security in the central business district of the city. It is a measure of how tightly stretched resources are that the extra policing will only be available in dayINTERNATIONAL NEWS DIGEST

Guilty plea over NY bombing

The alleged mastermind of the plot to bomb the United Nations building and other New York landmarks pleaded guilty in a surprise move yesterday and read a statement guilty in a surprise move yesterday and read a statement implicating his alleged co-conspirators, lawyers in the case said. Siddiq Ibrahim Siddiq Ali, 34, gave his plea to Judge Michael Mukasey shortly before the trial was to resume and he agreed to co-operate with the government. The judge delayed proceedings until today because of the plea.

Prosecutors allege that Mr Siddiq Ali and 11 others planned to "wage a war of urban terrorism" in the US. Egyptian cleric

to "wage a war of urban terrorism" in the US. Egyptian cleric Sheikh Omar Abdel-Rahman is accused of being the group's spiritual leader while Mr Siddiq Ali allegedly helped devise the plot. Siddig Ali had been an aide and translator for the cleric. The defendants are accused of helping to plan the 1993 World Trade Centre bombing that killed six people and injured more than 1,000. They are also charged with plotting to bomb the United Nations and bridges and tunnels leading into New York City. The indictment also accuses them of involvement of the National Management of management and property of the National Management and prope in the November 1990 murder of radical Rabbi Meir Kahane in New York and with planning to kill Egyptian President Hosni Mubarak during a 1993 US visit. Reuter, New York

Kyrgyz face second round vote

One of Central Asia's first experiments in free parliamentary elections produced an indecisive result last night and many Kyrgyz voters will have to go to the polls again later this month. The many candidates presented voters with a bewildering choice and produced inconclusive results in most constituencies with as many as 30 nominees sharing the votes.

Most candidates were local politicians unaffiliated to any

national party. The second ballot, on February 19, will be a run-off between the two leading candidates for each seat. The run-off between the two reading communist party, which fielded more candidates than any other with 40 nominees, made a strong showing in Sunday's elections. A strong block of communist deputies could threaten to thwart the reformist ambitions Mr Askar Akayev, the Kyrgyz president. John Thornhill, Moscow

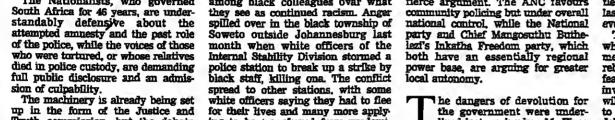
Arabs unite on Israeli N-bomb

Eight Arab states took a united stand yesterday against international tolerance of Israel's refusal to sign the Nuclear Non-Proliferation Treaty. Egypt, Syria and six conservative Gulf states, meeting in Cairo at foreign ministers level, said exempting Israel from nuclear inspections was incompatible with Middle East peace. Israel has never signed the treaty, which runs out this year, and the Arabs, led by Egypt, have taken the opportunity to lobby against the special nuclear status Israel has acoutred.

Rgypt, accepting reports that Israel has about 200 nuclear warheads, has said it would find it very difficult to sign an extended treaty if Israel does not sign too. The US, which gives Egypt some \$2.2bn (£1.4bn) a year in economic and military aid, has been pressing Cairo to sign. US officials say a compromise might be possible, with Israel giving a commitment to sign at some later stage. Reuter, Cairo

Arafat condemns Gaza murder

Mr Yassir Arafat, leader of the Palestine Liberation Organisa-tion, yesterday condemned Islamic extremists who shot dead an Israeli security guard in the Palestinian-ruled Gaza Strip. Mr Arafat, under intense Israeli pressure to crack down on Palestinian groups responsible for attacks on Israelis, accused Palestinian extremists of trying to undermine his fragile peace deal with Israel. Julian Ocume, Jerusalem



Soweto's 400 white officers and support staff say they wish to move.

western-funded guerrilla

operations, made contact with western officials, the Talibans

appear to have had little con-

Most of their lives have been

spent studying at the hundreds of Islamic schools, mostly in

Pakistan, from 1979 onwards

when the Soviet army's arrival

triggered Afghanistan's refu-

gee exodus. Diplomats estimate thet, of the 15m population of

Afghanistan in the 1970s, more than a third left the country

when the war began. About 3m

But their growing support

comes largely from the frustra-

tact with the west.

came to Pakistan.

ghan Islamists aim to oust mujahideen tion with the government in Kabul, where rival factions led by Mr Rabbani and Mr Hekmatyar, hava fought each AFGHANISTAN, other for more than two years in an intense and bloody power struggle. The Red Cross estimates that up to 25,000 people have died in the fighting "People are frustrated here,

> of them might think this [Talibans] is the only solution," said one senior aid official But the movement's precise Islamic government and law bjectives are not clear. It says (Sharia) in Afghanistan. It also says it has no interest in run-ning the country itself. it recognises no authority other than God and wants

they are welcoming any kind

of change and I see that some

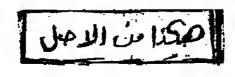


HOW AIG'S ABILITY TO CONTROL FINANCIAL RISKS PUT ONE AIRLINE ON A STRAIGHTER COURSE. An airline's first ever energy hedge in jet fuel, using a series of fixed-for-floating-rate transactions. It's no blue-sky idea but how we recently helped a major U.S. carrier manage risk. Since the airline's international operations generate a multiple-currency revenue

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FINANCIAL TIMES TUESDAY FEBRUARY 7 1995



British Excellence and Quality AN OCCASIONAL SERIES

Halcyon Days

When the Financial Times celebrated its centenary in 1988, a special limited edition of enamel boxes was commissioned from Halcyon Days. The lid design featured a drawing of Bracken House, Cannon Street - the newspaper's headquarters at the time - and depicted around the sides were pink columns of newsprint. The box was an elegant and much-admired commemorative objet d'art.

Halcyon Days' artists and calligraphers excel at creating special hand-painted designs that are uniquely appropriate, whether for a single enamel to celebrate an anniversary or for an edition of hundreds of boxes, clocks or paperweights to mark a memorable event in a company's history. Among the many international organisations who have commissioned corporate designs are Coutts Bank, the Grosvenor Estate, P&O Shipping, Baxters Soup, Coca-Cola, Perrier, Taylor Joynson Garrett, the Worshipful Company of Farriers, The Green Howards Regiment and the New York Times.

There is also an extensive collection of elegant designs, any one of which can be inscribed with a personal message or a company's logo.

The Committee, which was established in 1992, aims to focus attention on British excellence, style, craftsmanship, innovation and service. These are qualities which all its members share and for which British products and services are renowned around the world.

For further information, please contact:

The Director, The Walpole Committee, 40 Charles Street, London W1X 7PB, England. Tel: +44 71 495 3219 Fax: +44 71 495 3220

The dispute between China and the US over copyright violations was likely to affect China's efforts to join the World Trade Organisation, Mr Peter Sutherland, WTO director general, said yesterday.

Although multilateral negotiations on China's membership and the bilateral dispute were separate issues, he said, both covered the issue of intellectual property rights.

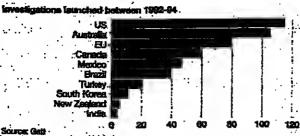
The dispute over intellectual property rights cannot be considered totally irrelevant in terms of China's entry into the WTO, although I don't know what precise effect it will have on negotiations," he said. He

role to play in the dispute between Washington and Beijing since China was not yet a

member of the organisation. He noted that there had been a "pause in activity" in China's accession talks since negotiations reached an impasse at the end of last year, and there were still "significant issues Mr Sutherland also warned

that the proliferation of antidumping regulations posed a threat to world trade. "The abuse of the development of anti-dumping rules could be an enormously damaging develop-ment in terms of world trade if it were permitted to happen." The WTO director general said experience showed that countries most ready to use

Anti-dumping actions



often suffered most: "The US in the old General Agreement on Tariffs and Trade system was the largest defendant but was also the largest plaintiff in terms of anti-dumping dispute edings." Ha said the use of anti-dumping rules used to be the prerogative of the EU

lations in other Asian coun-tries which used to be the

main culprits. A few years ago,

Taiwan was the base for

pirated music, but after consid-

erable pressure from the

recording industries, many fac-

tories there closed and either

sold their equipment to facto-ries in mainland China or set

up facilities there, the RIAJ

Japanese companies are also

and US but this was no longer the WTO had disputes mechanisms to deal with the problem "and hopefully we have the matter under control." Mr Sutherland was speaking after addressing the first meet-

enforced in a large country

such as China where the con-

cept of intellectual property is

still vague, as it was in Japan

itself in the past.
"We welcome the US move

but I think it will take China

four to five years" to bring its copyright anvironment up to

international standards, said

Mr Masahisa Aizawa, interna-

tional director of tha Japan

form rules of origin. It is the first attempt to do this in a multilateral framework.

Rules of origin have traditionally been drawn up by individual countries and provide the guidelines for deciding where products are made. The issue has become a source of tension between trading partners following the growth in

Mr Sutherland said rules of origin had "great potential to promote or impede international trade". The old Gatt "had nothing to say about the rules of origin" but the subject had been addressed under the Uruguay Round because of "the potential of this trade policy tool being used as a trade

Association of Music Enter-

An official at Kodansha said

the publisher co-operated with

the Chinese authorities in try-

ing to track down piracy but it

had not put all its efforts into

the job. "The US move will

have an impact but it is impos-

sible to control a vast market

like China," he said. "Even if

you try to wipe out piracy, it

By Julian Ozanne in Jerusalem Israel and the US yesterday celebrated the 10th anniversary of their free trade agreement by announcing design contracts for US companies worth \$39m and grants worth \$7m to develop joint high tech-nology projects. US commerce secretary Ron Brown said his visit to the region was designed to pro-

note economic partnerships,

foster economic growth and

investment and provide under-

pinning for Middle East peace.
"Security and economic levelopment interests go hand in hand," Mr Brown said. "In the long term there will be sta-hility when people feel secure in their person and in their economic standards of living." Mr Brown, together with Mr Yisrael Kessar, Israeli minister of transport, announced that TRA Architecture Engineering, a subsidiary of Black and Veatch, bad won a \$17.8m design contract for an Air Sight terminal at Ben Gurion Airport. Two other US compa-nies have won design contracts worth \$16.5m for ground and landscaping facilities at the new terminal. US officials said

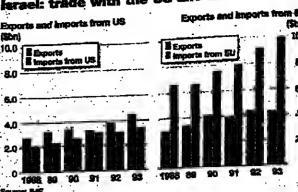
the design contracts could lead

to significant downstream pro-

jects from other US companies

free trade anniversary Israel: trade with the US and EU

Deals mark US-Israeli



as the design specifications would favour US technology. Earlier Mr Brown, together with trade and industry minis-ter Micha Harish, announced winners of the first grants awarded by the year-old US-Israel Science and Technology Commission. Two projects, one involving high-performance imaging cameras for nuclear medicine and one to develop aquacuiture, involve approximately \$16m in cost-sharing between Israeli and US compa-nies over four years. The third project involves a feasibility study to be conducted by McDonnell Douglas Aerospace and Israeli companies to

develop a solar power genera-

tion system for a project which, if realised, would be worth \$8m. Trade between Israel and the US has climbed sharply in the

ar registra

past 10 years and last year reached \$9.4bn, excluding military sales. Israel has a trade surplus with the US of \$1bn. Mr Brown also hailed what he described as an "unprecedented" meeting of the trade ministers of Israel, the US. Egypt, Jordan and the Palestinians which opens to Egypt today. The meeting is expected to discuss ways of advancing regional integration and infra-structure development projects and create a permanent

Japan welcomes US action against China

The stance taken by the US against copyright infringement in China has been welcomed by Japanese companies which have quietly suffered for many years from piracy in Asia.

Japanese music companies. publishers and video games manufacturers have increasingly been subject to copyright violations in China. "As a member of the record industry wa hava a similar sense of urgency as the US and welcome their move," said a repre-sentative of the Recording

Industry Association of Japan. Japanese publishers have also suffered from widespread copying. Kodansha, a leading publisher, says that it has contracts with Chinese publishers for the publication of 10 comics but that at least 40 to 50 other items by its comic book writers are being copied in China. Japanese video games makers have been among the most active in fighting piracy in China but they have reliad largely on their own efforts, and the Chinese police, to deal with the problem.

Sega, the video games maker, for example, sent its own employees into China to work with local authorities to locate factories pirating its machines and software. Last year, it became the first Japanese company to win an order against a local factory to halt production of pirated video games machines. Since video games are not difficult to copy. Sega has taken piracy very

While many Japanese owners of copyright deplore the situation in China, they have found it extremely difficult to grasp the extent of the piracy taking place there. The RIAJ concedes that it has no idea how much Japanese music is actually being pirated in

Piracy in China has grown as international pressure and local policing have curbed vio-

Talks on a new financial aid package for African, Caribbean

ministers of the European Union failed to agree on a new five-year spending plan. France, which holds the rotating EU presidency, said it would call an emergency meeting of foreign ministers on February 15. Mr Alain Juppe, the French foreign minister, said the present offers of aid were untenable and he had no intention of

fund in real terms. The proposal met fierce re-Sweden, Finland and Austria.

The US government yesterday stepped up efforts to promote US companies vying for contracts in Ukraine's nuclear energy

bustion, an affiliate of the Swiss-Swedish engineering concern. Siemens of Germany and Framatome, the French nuclear plant supplier, in the technology services and equipment sup-

agrees to close Chernobyl's older RBMK reactors. Matthew Kaminski, Kiev

■ GE Power Systems, part of General Electric of the US, has signed a memorandum of understanding to establish a joint venture with St Petersburg-based AOOT Kirovsky Zavod. The venture, to be 70 per cent owned by GE, will make heavy-duty gas turbines for the Russian market. It will go into effect in the first half of this year. Andrew Baxter, London.

■ GEC Alsthom has, as expected, signed an agreement with the China Guangdong Nuclear Power Holding Company to supply the conventional equipment for a new nuclear plant at

supply the conventional equipment for a new nuclear plant at Lingao in Guangdong province. The project could be worth up to £350m (\$546m) for the Anglo-French engineering group, and is part of a \$2.8bn deal announced last month for the second stage of the Daya Bay nuclear project. Andrew Boxter, London

Philips Lighting and Polam Farel of Poland have reached
agreement on a joint venture in light fittings. Polam Farel is
the leading maker of indoor light fittings, with about 30 per cent of sales exported and is based in Ketrzyn in northeast Poland. The new company will strengthen Philips Lighting's position on the light fitting market, especially in eastern Europe, Philips said. AFX, Bindhoven

Manila-based investment company First Gas Holdings plans to build a 400MW natural-gas-fired power plant in southern Luzon island. Newly registered First Gas is to sell power to Manila Electric Co (Meralco). British Gas owns 40 per cent of First Gas, while Meralco and its pension fund subsidlary hold 10 per cent each Reuter, Manile

Members of the East Asian Growth Area are finalising an air agreement to allow unhampered entry of flag carriers to destinations in the Philippines, Indonesia, Malaysia and Brunet. The Civil Aviation Board in Manila has approved a draft memorandum of understanding allowing unlimited access by the countries' carriers to four Philippine destinations. Reuter,

WORLD TRADE NEWS DIGEST

EU disagrees on aid for ACP

and Pacific (ACP) countries stalled yesterday after foreign

delivering the bad news of an aid cut to ACP countries, many of them former French and British colonies. France had supported an EU Commission proposal that the aid budget should be increased from Eculo.94bn (excluding European Investment Bank loans) to Ecu14.3bn (\$17.6bn) for 1995-2000. Mr Juppé said it was vital to maintain support under the European Developfrom Germany, Britain and the three new member states,

The UK had sought a 10 per cent reduction in its contribution, which was 16.5 per cent of the total in the last budget. The new EU members argued against a larger EDF budget on the grounds they had no historical commitments to Africa. The foreign ministers did, however, manage to agree a preferential market access package covering agriculture, including mandarins and grapes and rum. Caroline Southey, Brussels

US seeks Ukraine N-deals

sector. A \$200,000 grant from the US Trade and Development Agency will help fund feasibility studies by Westinghouse, the nuclear energy giant, on the modernisation of Ukraine's 10 operating VVER-type reactors. Last year Westinghouse formed a venture with Khartron, a large nuclear missile guidance system producer picked by the Ukrainian government to over-haul Ukraine's five nuclear stations. The venture is backed by US defence conversion funds covering 27 per cent - up to \$4m

of Westinghouse investment.
 Westinghouse faces stiff competition from ABB Power Com-

plant supplier, in the technology services and equipment sup-ply market in the former Soviet republic.

Pressed by energy shortages, the Ukrainian government has decided to go ahead with construction of five new VVER reactors despite domestic and international concerns over safety. The construction and overhaul work awaits funding.

The European Union has committed roughly Ecu25m (\$30m) to nuclear safety but most cannot be released until Ukraine

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of comparative transactions, conduct

some research into the global birth

rate between 1984 and 1989, commit

the corporate tax code to memory,

ask your friends to lend you a few

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Browne a really fun offer.

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NEWS: UK

Private buyers stay away but sales to business sector show increase

Car registrations in decline

By Kevin Done, Motor Industry Correspondent

MARKET TENER

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A trade with the US and to

UK new car registrations fell last month by 3.7 per cent year-on-year to 191,186, the fourth successive monthly decline. Sharply declining demand from private buyers is undermining the new car market despite heavy spending by car-makers on sales incentives.

The January new vehicle registration figures released yesterday by tha Society of Motor Manufacturers and Traders underline the divergent trends in the development of UK consumer and business confidence. They show:

a decline of 12.9 per cent

year-on-year in car sales to private buyers to 88,900: an increase of 6.1 per cent in car sales to businesses and fleet operators to 102,286; and • a rise of 23.6 per cent in registrations of new commer-

cial vehicles to 21,801. Sales to private buyers have fallen for seven months in a row, and weakening consumer confidence is causing increasing concern for carmakers.

Last week's rise in interest rates is likely to make private purchasers increasingly reluctant to come to market," warned Mr Ernie Thompson, SMMT chief executive.

Mr David Gent, director general of the Retail Motor Industry Federation, was "deeply concerned over the impact of last week's further upward move in rates on car sales over the coming months. The link between the housing and new car markets is so strong that wa will undoubtedly remain under pressure for the future as the Miras (mortage interest relief) cuts bite into household budgets in April, and recovery

distant prospect." The recovery in the UK new car market began to falter last summer. New car registrations in the whole of 1994 rose by 7.5 per cent to 1.91m, but sales were lower than a year earlier in each of the last three months of the year.

in house prices now looks a

The fall in demand has been moderated by the continuing strength of the fleet sector (operators of 25 or more vehicles), where registrations rose last month by 7.4 per cent year-on-year to 88,103. Sales to the small and medium-sized business sector (operators of less than 25 vehicles) fell by 1.9 per cent to 14,183.

Private purchasars accounted for only 46 per cent of the new car market in January compared with 51 per cent in the same month a year ago.

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Quango reform ruled out as funding grows

By James Biltz and Andrew Adonis

Reforms to quangos and other unelected bodies were ruled out by the government yester-day despite mounting criticism of their wide-ranging powers and a 27 per cent increase in government funds under their

Official figures released yesterday showed that the amount of state funding for "appointed executive bodies" had doubled in real terms since 1979, to

State funding for such bodies quangos, which do not include National Haalth Service trusts and other large spending agencies such as Training and Enterprise Councils - rose by £3.19bn

(\$4.97bm). This is the largest increase for a single year since the Con-servative party took office in 1979, despite the low level of

The bodies are responsible for activities as diverse as the Citizen's Charter and univerquangos also rose last year, and now stands at 42,876.

As the Nolan committee investigating standards of public conduct prepares to consider whether an independent body should be partly accountable for such appointments, the government maintained erday that the final decision over filling all quango posts should continue to lie with ministers.

Outlining the evidence that he will deliver to the Nolan committee today, Mr David Hunt, the minister for public service, rejected claims by opposition MPs that most appointments in recent years have been given to Conservative party supporters.

He said the current system of appointments could be improved by a number of measures, including more advertisements in newspapers. clearer job descriptions and the reasons for decisions fully

He also stressed that it was important to maintain a "sense of balance" in quango appointall walks of life".

French and US groups join bid for rail link

Two new partners have joined Union Link, one of the four consortia bidding to build the Ω 9 (\$1.5bn) high-speed rail link between London and the Channel tunnel, Union Link said. The two companies are Setec, one of the largest independent French engineering companies, and Kaiser Engineers and Constructors, part of the US engineering and construction group ICF Kaiser International. At the moment trains using the tunnel to reach Paris and Brussels from London use existing tracks in England

Union Link said the new arrivals would broaden the range of skills in the consortium following the decision last December by Taylor Woodrow, the UK property and construction group, to leave. The bill authorising building of the link was given an unopposed second reading in Parliament last month, but is expected to take a further two years to complete the parliamentary process. Final bids for the contract must be nade by March 14. Other members of the Union Link consortium are W.S. Atkins, the consulting engineers, John Mowiem Construction, Philipp Holzmann of Germany, Spie Batignolles of France and AEG of Germany.

Charles Batchelor, Transport Correspondent

Excerpts from arms to Iraq inquiry back Thatcher

Baroness Thatcher had no personal knowledge of exports to Iraq which were known to be defence related, according to draft extracts of Sir Richard Scott's inquiry report. The finding accepts a central plank of the former prime minister's evidence to the inquiry in which she distanced

herself from responsibility in the arms-for-Iraq affair. Howaver, it is only a partial extract of the inquiry's findings md may not totally exonorate her of the blame that is expected to be placed on civil servants and past and present minis-ters in the report due to be published after Easter.

Lloyd's acts on Names' damages

Lloyd's of London yesterday highlighted the difficulties it faces this year in satisfying regulators about many loss-making members' finances by unexpectedly announcing steps to

recover damages won in court by Names.

Mr David Rowland, Lloyd's chairman, said that without the proposed rule change - which is vigorously opposed by groups representing hard-hit Names - the insurance market would find it harder to pass solvency tests set by the Department of Trade and Industry.

But be said the decision had been taken mainly to ensure fairness between Names, individuals whose assets have tradi-tionally supported the insurance market.

In a letter to Names, Mr Rowland expressed confidence Lloyd's would satisfy regulators that it could meet shortfalls in Names' assets by using central resources.

Builder's widow is accused of murdering 10 women

Mrs Rosemary West appeared in preliminary proceedings in a small country courtroom accused of murdering 10 young women. Among alleged victims of the 41-year-old mother of seven are her 16-year-old daughter Heather and eight-year-old step-daughter Charmaine. Remains of nine of the alleged victims were recovered in a police dig last year in a bouse and garden in the city of Gloucester in western England.

This was the home Rosemary West shared with her busband and co-accused, the builder Frederick West, who was found hanged in his prison cell on New Year's Day. PA News

Chatterbox Shoes, a children's shoe factory in the

English Midlands, is to close with the loss of 95 jobs because of competition from cheap imports. The family-run business will cease trading after more than 70 years. PA News

Premature celebration



A couple who thought they had won a large share in a £10m (\$15.7m) prize in the national lottery hastened to a pub to celebrate with the other 11 members of their syndicate and sat down to plan expensive holidays. Their celebrations, which began after the winning num-THE MATIONAL bers were drawn on television on Saturday night, continued into Sunday morning, by

which time syndicate members were telephoning relatives to offer them expensive presents. Only then did the nine-year old daughter of the couple in Portsmouth, southern England, admit that she had marked the winning numbers on a synicate ticket as they were drawn on television - more than an bour after the sale of tickets had closed. PA News

Labour leader's call

Mr Tony Blair, leader of the opposition Labour party, urged activists to have the "guts" to belp the party win the next general election by abandoning the commitment to wholesale nationalisation in Clause 4 of its constitution. In a passionate speech to a party conference, Mr Blair said his plan to rewrite Clause 4 had to succeed if Labour was to win.

Departing from his prepared text, the leader of the Labour party appealed for support from ordinary party members against widespread criticism of his proposals from leftwing constituency and trade union officials. "The only time we have ever been able to do anything is when sensible, radical people on the left have had the guts to get themselves in order so that they can change things." Kevin Brown, Political Correspondent

Pension scheme change

The Post Office Staff Superannuation Scheme is to sell its bolding in PosTel Investment Management, the in-house manager for both its own pension assets and those of British Telecommunications, the former stata utility. PosTel will become wholly owned by the BT pension scheme although it will continue to act under a "long-term" contract as the investment manager for about £10bn in pension assets of Post Office scheme members. PosTel's assets under manag constitute the UK's largest pension scheme. It was created in 1983 when the Post Office and BT were split. It manages assets of £26bn (\$40.5m), about 80 per cent of the assets of each scheme. Norma Cohen, Investments Correspondent

Spending spree: Shoppers will spend a third of their cash in out-of-town stores within four years in spite of government attempts to revive high streets, says a report by the retail analyst Verdict. Planning permission already granted will lead to a further 2.5m sq m of out-of-town shopping space by the end of 1998, the report says.

Retail group to expand: B&Q, the bome improvements retailer, is to create more than 2,000 new full-time and part-time jobs this year in a £20m expansion of its store chain. The programme could create 7,000 to 8,000 jobs over the next five years. The company, a subsidiary of the Kingfisher group, plans about 50 giant B&Q Warehouse stores in the next five years.

Doctor struck off: A doctor who prescribed large amounts of a powerful painkiller to a drug addict was struck off the register when he was found guilty of misconduct by the General Medical Council. Dr Benjamin Anazodo of north-west London appeared in handcuffs before the council's Professional Conduct Committee. A lawyer for the council said a 44-year-old drug addict had died in 1993 from a massive overdose of Palfium, a strong painkiller usually given to terminally ill patients. Dr Anazodo denied overprescribing Palfium.

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THE CITIBANK PRIVATE BANK

Whitehall plays down Major speech

Downing Street yesterday worked furiously to deny reports that a speech by Mr John Major on Friday had aimed at increasing hurdles to UK participation in a single European currency, while the Liberal Democrats said they would try to engineer an embarrassing Commons defeat

for the government on Europe. Yesterday they began work on drafting a motion on a referendum on constitutional changes, worded to unite them with Labour and Ulster Unionists who have fallen out with the government over its management of the Irish peace pro-

Mr Major had told the Conservative Way Forward Group that Mr Kenneth Clarke, the chancellor, would at a meeting on Thursday spell out the right" economic conditions for UK participation in a single

currency.
A senior Conservative party official had on Friday night described Mr Major's speech as an important policy development. However, Downing Street and the Treasury yesterday tried to play down the significance of both Mr Major's speech and another to be given by Mr Clarke, spelling out the economic factors which will determine whether the government recommends sterling's inclusion in a European cur-

In remarks thought to be aimed at dispelling fears among other EU members that the UK is trying to rewrite the conditions for the creation of a single currancy, Downing Street said the reference to wider economic factors in any monetary union decision was consistent with a Maastricht treaty clause.

liament is still a shell.

is investigating the sale follow

ing revelations that £10m of the £60m purchase price had

been covertly deferred until

Shirayama caused consterna-

tion last November when it appeared to abandon plans for a hotel and leisure complex in

favour of a loosely defined

Mr Richard Branson's Virgin

Group, which was to run the

600-bedroom hotel under the

original proposals, threatened

Shirayama's representative

in London, Mr Mac Okamoto,

has added to the confusion by

using two aliases - Mr Mac

Toyota and Mr Kenzo Honda -

which he describes as "stage

Despite this history of con-

troversy and confusion, Mr

Okamoto remains enthusiastic

about the future of the project.

He maintains that the audit

office will find nothing wrong

of County Hall, And although

"Pacific-Asia Centre".

This clause says that a range of economic factors - such as unit labour costs and the balance of payments - will be taken into account in any recommendations by the European Commission and tha **European Monetary Institute** on timing. When questioned as to why

Downing Street was now apparently disagreeing with Conservative Central Office's earlier interpretation of Mr Major's speech, the party official said: "I am sure Downing Street is right. I always make a point of deferring to Downing

Tory rightwingers appeared unruffled by the shifting inter-pretation of the prime minister's speech, which many regarded as an indicator of the government's more Eurosceptic mood, in spite of the confu-

sion over its meaning. Rightwingers also said it was far from certain that the nine Tory rebels deprived of the whip would vote with the Liberal Democrats for a referendum. Labour also said that the Liberal Democrats could not count on its support.

Shirayama treads water by the Thames

If it wera not such an important building, the confu-The future of London's County Hall is still uncertain sion surrounding the future of two years after its sale to Japan, writes Simon London County Hall, the imposing former home of the Greater Lon-



County Hall, once the heart of London's local government, seen from Westminster Bridge

development work has been balted, Mr Okamoto claims Shirayama is spending film a month on County Hall He is happy to display cheque-stubs - £100,000 for steel-framed windows, £300,000 for insurance to suggest that cash is being

Mr Okamoto also maintains that plans for a Pacific-Asia Centre have been misunder-stood. Shirayama still aims to create a leisure and education centre, but with office and con-

ference facilities attached. The old plans were dropped because the investment necessary to create a luxury 600-bedroom hotel covering a third of the huge site, was regarded as too risky. The new scheme

 A 200-bedroom hotel covering 200,000 sq ft. County Hall, with its large rooms and river views, lends itself to hotel use. The main obstacle is Big Ben, which will keep jet-lagged trav-

ing's listed windows can be soundproofed.

 A conference centre of about 270,000 sq ft including the listed council chambers and committee rooms once used by London's local govern

· A fitness centre and swimming pool on the top floor, givering about 40,000 sq ft. Restaurants covering 120,000 sq ft including a Chi-

nese restaurant on the first floor overlooking the river and roof terrace. Europe's largest aquarium in the basement and ground floors, taking up about 150,000 sq ft. Funds for this project are

being sought elsewhere. These projects account for about half the available space. Shirayama is looking for tenants for the remaining 700,000

Mr Okamoto hoped the Pacific-Asia Centre concept would as trade organisations. But he has received a wide range of proposals for parts of the building, including schemes for a virtual reality centre and a Metropolitan Police Museum.

that Shirayama has scaled back its planned capital commitment to County Hall, preserving the fabric of the building and providing basic services such as boilers and lifts will still require a large

Mr Okamoto estimated that basic works and services would cost about £30m. Including the hotel and fitness centre, which Shirayama plans to fund itself, the company will have to find about 250m in addition to its 250m or 260m acquisition cost. So is Shirayama still willing

Mr Okamoto insisted that the company had no intention of pulling out of the project, although it had received many serious, if unsolicited, offers

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Years of uncertainty

1986 Conservatives abolish Labour-led Greater London Council, Europe's biggest municipal authority, and hand its powers to \$2 borough councils. London Residuery Body created to dispose of assets of abolished council including County Half. 1966 Residuary Body accepts bid of about £170m for County Hall. 1989 Labour-led Lembeth Borough

Council rejects planning applications for hotel and office 1990 Planning Inspector rules against County Hall Development Group plans; group goes into

1992 Residuary Body rejects £20m bid from London School of Economics in favour of 250m offer for main riverside building from Shirayarna Corporation of Osaka. 1983 Shirayama completes purchase; ternaining buildings are sold to Frogmore Estates

1994 Labour Baroness Hollis says County Half should return to public sector because its privatise en 'a'shambles'; Lord Pluromer, Conservative leader of GLC in late 1960s, says building should not be allowed to Tiepse into an eastern

over the past year. The London School of Economics, which fought a long hattle to make County Hall its new home before the deal with Shirayama was finalised, has certainly

given up the fight. Mr John Ashworth, the LSE's director, said: "There can be no interest on our part unless there is a willing seller. Even then we would be bound by the government's decision that it would be too risky for us to buy the site. We have moved ahead with alternative plans and, frankly, the whole

Mark Thatcher faces US lawsuit

Mr Mark Thatcher, son of the former British prime minister, is facing a potentially damag-ing US legal action relating to the takeover of a Texas aircraft fuel company. In a lawsuit filed yesterday

in Houston, Texas. Mr Thatcher is accused of conspiring with others to defraud a businessman and obtain ownership of the aircraft fuel com-The lawsnit states: "This

conspirecy has included the use of mail fraud, wire fraud, tax fraud, bankruptcy fraud, money laundering, nsnry, common-law fraud, deceptive trade practices, perjury, theft, and assault to accomplish its The civil action has been

brought by Mr Jay Laughlin. who part owned Ameristar, a Houston-based company. Mr Laughlin is suing Mr Thatcher and five other defendants for damages of at least \$7m. A spokesman for

Thatcher said last night: "We have not seen the lawsuit but we believe it to have been filed with no merit and we will be defending all the claims.

Mr Laughlin claims he has been defrauded out of his part ownership of Ameristar. He states that following Mr Thatcher's involvement with Ameristar the company went from a positive net worth of \$2m to a negative net worth of

Ameristar filed for Chapter 11 bankruptcy proceedings in Angust and bas recently signed an agreement to sell its assets to another US company.

The lawsuit also names Mr David Wallace, a friend of Mr Thatcher's and a co-defendant. The suit claims that Mr Thatcher "injected himself into virtually every area of the Ameriatar Companies' operations and management." It also states that "all of Wallace's actions were taken with the knowledge and at the behest of Thatcher".

Mr Thatcher has denied any close involvement with the Ameristar group.

Poor UK fire service performance is blamed on funding system Mr Mick Warner, chairman of fire

By John Authers

Fire deaths and losses in England and Wales could be halved if government policy on the fire service was reformed, the Audit Commission said today.

A report, produced for the commission by Ernst & Young, the management consultant, calls for an urgent review of fire service funding arrangements and urges the government to give fire authorities a statutory duty to promote fire safety. It says fire-prevention measures

are actively discouraged by the system of funding, which is based on the number of call outs attended. Under the present system, brigades receive £476 for every fire or false alarm. They would therefore lose funding by carrying out fire-preven-

Evidence from the US suggests that fire-prevention programmes have cut the number of fires by 40

per cent over the past 10 years. In covered by insurance, £725m were the same period in England and Wales, the number of fires increased 20 per cent, while "serious" fires those which strike occupied buildings, spread between buildings, or cause casualties - rose 32 per cent. Fires claim about 600 lives in England and Wales each year and

last year were responsible for losses

of £2.45bn (\$3.82bn), slightly more

commercial and £250m domestic. The report sharply criticises the government's formula for allocating grants to fire brigades because it does not include cash specifically for fire-prevention work.

It also critices the service's risk-assessment methods as outdated and simplistic. City centre office blocks. where fire prevention and safety than the fire services annual budget measures are generally adequate, of £2.37bn. Of property losses fully are given higher priority than multioccupancy domestic "bedsit" properties, where the risk of fire deaths is much greater.

The report also attacks the fire service's pension scheme as costly and said it could "increasingly damage fire-fighting capability". Pensions are largely paid out of brigades' revenue expenditure, and accounts for 11 per cent of annual spending on fire services. This will rise to 25 per cent over the next

Association of County Councils. said: "The commission has now said what we have been saying for years: it isn't the fire service stifling improvements, it is the government's funding formula and national framework.

services for the Labour-controlled

. In the Line of Fire: Value for Money in the Fire Service -National Picture, HMSO £10.

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And the best

As CRIS comes into use, some fraudsters may learn to

patterns of behaviour. But

their need to buy expensive goods quickly is likely to

continue to give them away.

"They will still want to buy Rolex watches," says Littas.

Alongside CRIS, Visa is

working on another neural network system, called the

Merchant Risk Identification

System, which will identify

the locations where criminal

activity is most prevalent. As

a result, banks can work with

merchants to reduce risk and

look for possible collusion by staff. MRIS is "still at a

probably be piloted in the US at the end of the year. These systems will not

conceptual level", but will

replace existing anti-fraud

measures. Rather, they will be used in conjunction with

other measures and to

complement the neural

used by some banks.

network systems already

The system is not infallible

"We don't know how many

fraudulent transactions are

not picked up by the system,

fraudulent transactions that

It also issues many false

alarms. Typically, the issuing banks using CRIS follow up

This means that banks are

not prepared to stop suspect

transactions at the time they

are made. An apparently suspicious succession of jewellery purchases could simply be explained by the

cardholder being on

Anyone conductin

affair, or even buying a surprise gift, is unlikely to be enthusiastic about a card

issuer alerting their household to a suspicious.

transaction.

honeymoon, says Littas.

Even so, CRIS has the

potential to annoy customers.

particularly if card issuers

check suspect deals with the cardholder's relatives.

Littas says there has been

"almost no negative reaction" from individuals concerned

that their privacy is being

Nonetheless the privacy

issue is taken seriously. "The decision about whether we go

life is very dependent on this

forward and do this in real

[issue]," he says.

ig an illicit

transactions for each one

that proves fraudulent.

says Littas. "There are

probably a number of

30 to 40 innocuous

go through."

change these tell-tale

Vanessa Houlder on Visa's new fraud-fighting method

nyone who uses a plastic payment card Lunwittingly provides a central computer with a detailed picture of his or her spending habits. That information is increasingly being put to use in the battle against card fraud. Visa, the international card

payments system, is testing an electronic system that Robert Littas, vice-president, describes as "the most advanced fraud detection system available"

The system, called the recently completed a trial in the US and Canada, which saved \$40m (£26m) over six months by cutting down fraud. It has now started a four-month trial in Spain, which aims to detect fraud on cards issued in the UK, France, Germany and Italy.

The technology behind CRIS is a neural network at Visa's central computer system in McLean, Virginia. This is a device composed of many parallel, interconnected

The system alerts card issuers 12 times a day to high-risk transactions

computing units which is capable of recognising patterns within large

amounts of data.

The information supplied by three months of Visa transactions is enough to give the system a picture of where and when individuals usually spend their money, and the type and price of goods and services they buy. It is then capable of picking out transactions that fall outside the usual pattern.

THE SY issuers 12 times a day to high-risk transactions. The issuer can contact the cardholder or a relative to check the authenticity of the

The ability to alert cardholders within hours of the suspicious transaction taking place cuts down the "fraud cycle", since many cases are not reported until the monthly bill is submitted.

The system also detects atterns in the behaviour of fraudsters. One example is that card thieves often fill up a car with small amounts of petrol as a simple test of whether the theft of the card has been reported.

ing.
"The technique is still in its formative stage," says Joe Carter, head of Andersen Con-

has many advantages."

by drawing on their past experience, CBR works by adapting solutions that were used to solve old problems. The user presents the new problem to a computer that contains a library of hundreds or thousands of past cases. The com-puter retrieves the most similar case and, if necessary, adapts it to suit current cir-

CER is in helping companies deal with technical problems with their equipment. The pace of technical change, together turnover on most IT help desks, creates a need for a system that allows inexperienced knowledge about the problem and faults thrown up by the

For example, CBR has been applied to the IT help desk at fields 1,400 calls a day concernmalfunctioning printer. It has installed the CBR Express system, designed by Inference Corporation of El Segundo, California, and Slough, Berk-

The system, which stores about 4,000 previous cases, is capable of assisting the helpdesk staff to answer about 60 per cent of their queries. "It is now used as a key problem-solving tool in assisting help desk analysts," says Dilip Popat, senior manager, computer services branch. "It has

"It is in the interest of nobody to disturb the relationship between issuing bank and their customers."

or years, artificial intelligence has been accused of promising too much and delivering too little. But case-based reasoning, a relatively recent offshoot of artificial intelligence, is beginning to prove itself in practical problem-solv-

sulting's centre for strategic technology at Palo Alto, Calif-ornia. "It is not in widespread use hut it is very promising. It

One advantage of CBR is its conceptual simplicity. Just as humans tend to solve problems

The most common use of with the relatively high staff users to tap into existing

Sainshury's Blackfriars headquarters in London, which ing everything from the break-down of a sales terminal to a

been a very good investment on our part."

Other applications of CBR are largely restricted to aca-demic circles and a modest number of industrial pioneers. "Knowledge of CBR is spreading rapidly through academia. In industry, very few people know about it," says Roh Milne, managing director of Intelligent Applications, a UK distributor of ReMind software. Nonetheless, CBR is proving

useful in cases where more established artificial intelligence techniques have failed. In particular, CBR can cope with situations that cannot be tackled hy expert systems, a problem-solving technique that uses explicit rules to find solutions. In cases where there is no clearly understood model of how something works, CBR often proves useful.

In some circumstances, it can be more effective than neural network systems, which are compnting devices that are capable of picking out patterns

Vanessa Houlder reports on the advantages of case-based reasoning, the latest problem-solving technique

Back to the future

from large databases. Whereas a neural network cannot explain its findings, a CBR system can provide supporting

The scope of CBR embraces a wide variety of industries. Fol-lowing the pioneering work of Roger Schank at Yale University in the early 1980s, researchers have designed CBR systems that tackle everything from the travel plans of Cyrus stata, to medical diagnoses, law and cookery.

cation was at Lockheed, the US aerospace company. The prob-lem it tackled was how best to design the layout of parts within an autoclave. Because the heating characteristics of the parts in the autoclave are complex and poorly understood, the operators relied upon their previous experience of successful parts layouts. In 1987, Lockheed started to develop a CBR system called Clavier, which is able to recommend new layouts by searching and adapting previously successful layouts.
The aircraft industry also

uses CBR for maintenance and fault diagnosis. The Kate program designed by Paris-based AcknoSoft is used as part of the maintenance program for Boeing 737 jet engines. Financial services applica-

tions of CBR are also expanding. Andersen Consulting installed a CBR system in a large mid-western insurance company, which allowed it to automate 90 per cent of its property and casualty underwriting. The system improves the quality of the underwriting because it draws on the com-



bined knowledge of the group, says Carter, "It is much more consistent, more premedita-

At Touche Ross, the accountants, CBR is used to help assess risk, with a system based on several hundred cases supplied by anditors worldwide. The early results suggest it could be a useful aid to auditors, although it could not replace their decision-making skills. "It is a knowledge enhancer rather than a knowledge supplanter," says Olivier Curet, an adviser on knowledge-based systems who igned the system.

Training is another poten-

tially useful market for CBR. Andersen Consulting has designed a system to teach human resource management. Whereas previously users were merely taught general principles, the CBR system can respond to an error on the part of a user by presenting a past case that illustrates the consequence of the mistake.

One factor driving experi-mentation with CBR is the growing availability of CBR software. Compared with some artificial intelligence techniques, it is relatively quick and inexpensive to try out a CBR system. But even the enthusiasts for

CBR are careful not to exaggerate its potential. One constraint is the ability to describe a situation in a suitable way. For example, CBR cannot be applied to air traffic cootrol hecause it is impossible to devise a symbolic representa-

There may also be problems in huilding up a suitable case library. Although companies usually store records of, say, maintenance work, they often contain more administrative than technical details.

tioo of dots on a screen.

Caledonian Paper, the Scottish paper company, for example, has been hampered in its attempt to use a CBR machine

to assist the repair of faults on electrical drives because it has access to fewer than half the cases it needs. "We do get indications but not to any degree of confidence," says Roy McHattie, electrical instrument superintendent. It is now work-ing with the manufacturer to huild up cases of faults experienced by other users.

Maintaining the database of cases, which is important to expand the range of the system, is also time-consuming. More work needs to be put into how CBR systems adapt cases. since currectly CBR systems

rely on human intervention. Another issue concerns the acceptability of this kind of system. Will professionals resist its introductioo in the belief that it devalues their

Mostly, users believe it is seen as a support system rather than a substitute for human experience. If it was implemented on a mature [IT] system, it might he seen as eskilling or displacing individuals," says Popat, "But if it is installed in an environment with a high degree of change and where new people are coming through quite rapidly, it will be seeo as a positive tool."

lan Watson, a researcher at Salford University, helieves that CBR is intrinsically more acceptable to professionals than some other forms of artificial intelligence such as rule based systems which purport to diagnose a problem. "With CBR we are not making any claims that it understands," he says. "All we are looking for is the pattern of previous cases.

Watsoo is optimistic about the prospects. "CBR is perhaps one of the first fruits of spring following the artificial intelligeoce winter."

Michel Manago, chief execu-tive of AcknoSoft, also argues that CBR has outstripped other theory-hound artificial intelligence techniques. "It [CBR] bas produced results which are very practical. It is out of the ghetto of the academic artificial intelligence community."

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(currently in receivership as per Italian law of April 3rd, 1979, no. 95, the so called "Prodi Act")

INVITATION TO EXPRESS INTEREST

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(FERDOFIN GROUP)

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b. be signed by the legal representative of the interested business, io accordance with the provisions of law to the content of the interested business.

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data on Gencord;

The Ferdofin Group is one of the leading Italian steel producers with a yearly production capacity of 1,200,000 tons of finished products and 600,000 of intermediate products. It currently enploys approximately 950 people. The plants are located in:

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The Receiver ("Commissario") intends to start the sale process of the Fedorfin Group business (excluding debts and credits custing prior to the company's admission to receivership) in accordance with the purposes and objectives of the receivership, and therefore

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Guccione, c/o Bain, Comeo e Associati, Via Crocefisso 10, I-20122 Milano (phone: +39-2-582881; forc +39-2-58314070).

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above terms and conditions by 6.00 P.M. on March 7th, 1995.

the contents of their letter, data on the Ferdolin Group;

whoever is interested in the acquisition to send an indication of interest by means of a letter sent by registered mail, return receipt requested, addressed to the Consussario, Mr. Aurelio Guccione, c/o Buin, Cunco c Associati, Via Crocefisso 10, 1-20122 Milano Group business, in accordance with the provisions of law and the nce with the provisions of law and the as provided by the Oversight Authority.

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The parties that deliver their indication of interest according

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The Commissario of Gencord in receivership

red of complete secrecy as regards the existence

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E Steve Burke, 36, president and chief operating officer of Euro Disney. He joined Euro Disney in late 1992 from The Walt Disney Company where he had been in charge of the Disney stores.

Paavo Rantanen has stepped down temporarily as a member of Nokia's executive board following his nomination as Finland's Minister for Foreign Affairs. During his absence his duties will be carried out by Tapio Hintikka, another member of the executive board. ■ John A Boland, chief execu-

tive of Montreal-based Dominion Textile. Boland, who had run Dominion's Swift Textiles denim eubsidiary for four vears, succeeds Charles H Hantho, who remains chairman. ■ Howard Kilroy, 59, president and chief operating officer of Jefferson Smurfit, to retire after 22 years with the group. He will remain on the board. Javaid Aziz, 42, chief executive of IBM UK, has left to

become European general manager of Silicon Graphics, a California-based computer manufacturer. Aziz has been replaced by J Barrie Morgan, who until recently led IBM'e services business in the UK. John E Cleghorn has taken

Bank of Canada on the retirement of Allan R Taylor. ■ Derek Osborn, 54, director general of environmental protection in the UK's Department of the Environment, chairman of the newly-created European Environment Agency in Copenhagen. It is a part-time

job and Osborn will continue

with the DoE. Roy Vagelos, 65, former chief executive of Merck, a director of McDonnell Douglas. Tony O'Reilly, chairman of Independent Newspapers, to join the board of Jornalgeste, Portugal's largest newspaper group. Luis da Silva, chief executive of Filmes Luso-

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to join the board of Independent Newspapers. Liam Healy, 66, chief executive of Independent Newspapers, chairman of Australian Provincial Newspapers, Australia's biggest regional newspaper group. Ireland's Independent Newspapers has an indirect stake of around 25 per

William C Bousquette.

senior vice president and chief financial officer Texaco. M Gunnar Stokholm, manag ing director of Topdanmark,

become chief executive of Zurich Forsikring in Denmark. Leif Larsen, 49, general manager of Topdanmark Forsikring, has taken over Stokholm's role as managing director of Toodaymark Forsikring.

David L Milby, 44, senior vice-president manufacturing at Philip Morris. He joined PM m 1973 and since 1992 has been vice-president leaf. ■ Jean-Luc Schwitzguébel, 48,

head of Ciba's worldwide textile dyes division from September 1. Schwitzguebel, currently managing director of Ciba Pigments in Paisley, Scotland, takes over from Hans-Merten Götz who is retiring. Don Monteath, senior

vice-president operations at Trans World Airlines. Monteath joins from Polar Air Cargo where he had done the Professor Kai Kristensen of

the Aarhus School of Business. a member of the board of Unibank. He replaces Jens Bilgrav-Nielsen as the Danish government'e representative Steven D.F. Kaempfer, a

Dutchman, joins Credit Suisse in March as head of European asset management. He has worked for S.G. Warburg and Swiss Bank Corporation. John Young, 62, former chief executive of Hewlett-Packard, a non-executive director of Novell.

John Steele, managing director of Esso Exploration and Production UK. He joins from Exxon Company USA and replaces Phil Dingle, the new chairman and chief executive of Esso companies in Malaysia. Risto Silander, previously with Goldman Sachs in London, joins Swiss Bank Corporation in March to be chief execntive of SBC Arbitech in Stockholm.

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax amouncements

of new appointments and retirements in +44 171 873 3926, marked for International People. Set fax to 'fine'.

Commission must define position mission six times to ask it to define its position on the Court of First article 86 allegations, in Instance ruled response to one letter the Com-



COURT define its position as required by the Treaty of Rome in respect of aspects of a complaint concerning alleged anti-competitive conduct.

In such situations the Community institution concerned is required by treaty rules to comply with the finding of the Court

The original complaint was filed by Ladbroke Racing (Deutschland), which com-plained it had been refused broadcasting rights in West Germany for television plctures and commentary on French horse racing.

The refusal was the result of an agreement with the French supplier that the German rights holder was only permitted to supply such services to certain betting shops in Germany, which were operating at the time the agreement was concluded. The Ladbroke shops only opened after the agreement Ladbroke complained to the Commission alleging the refusal to supply amounted to a breach of EC competition

rules.
The Commission investigated in respect of the alleged breach of article 85 of the Rome treaty and sent relevant companies a statement of objections. During the course of the Commission procedure, these companies notified a second agreement to the Commission, which had superseded the first. On the basis of the new agreement, the Commission sent the parties a fresh statement of objections based on article 85. The parties removed or amended the clauses highlighted as being anti-competi-tive and on that basis the Commission issued a notice stating its intention to take a favourable attitude.

Ladbroke said the Commission's attitude was unjustifiable and argued an exemption to the prohibition on anti-competitive agreements under EC competition rules could not be granted without the allegations of anti-competitive conduct contrary to article 86 being investigated first. Ladbroke wrote to the Com-

Consequently, any decision to proceed only on the basis of Article 85 should have been explained to the complainant. This was not done and it was thus clear the Commission had failed to act in this regard.

was no Commission act capa-ble of being annulled. The request for an order for direc-tions forcing the Commission to comply with the judgment was also rejected on the grounds that the Commission was under a treaty obligation to comply with such judgments of the Court.

T-74/92: Ladbroke Racino (Deutschland) GmbH v Commission.

(Deutschland) Gmort v C. (Deutschland) Gmort v 1995. CFI 2CH, January 24 1995. BRICK COURT CHAMBERS, BRUSSELS

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Resolution No. 3/1995 of the Nauplion Court of Appeal. INVITES ell interested partise to declare their interest for the purchase of the total easets of the company "XENODOHIAKES KAI TOURISTIKES EPIHIRISEIS DIM. KARABATOS A.E.* (HOTEL AND TOURISM ENTERPRISES DIM. KARABATOS S.A.) which was established on 30.06.1986 with the object of exploiting the hotel "ELITE" (with head offices identical to those of the company), the establishment, operation and exploitation of other Hotel and Touriem enterprises in Greece and the exercise of related projects or enterprises, by submitting within e term of twenty (20) days from the publication of the present a non-binding

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orally that, although there had been no decision to reject the article 86 complaint, the claim was without purpose as the competitive restrictions could be effectively remedied under article 85. Ladbroke then wrote two further letters requesting that it he informed within two months of the Commission's reasons for failure to act under

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article 86. Finally, Ladbroke formally requested the Commission to define its position on the complaint as a whole as required under Rome treaty rules. The Commission never replied and Ladbroke brought two actions against it: for failure to act; and for annulment of the implicit decision to reject its

mission informed Ladbroke

complaint. The Court of First Instance found that it was clear that, by the time Ladbroke formally asked the Commission to define its position, the Commission had already initiated and was pursuing an investigation under article 85. It could not therefore be regarded as having failed to act in respect of the article 85 allegations.

On the article 86 complaint, the CFI said that, though the Commission was not bound to adopt decisions confirming free to determine the degree of importance to be given to a complaint in the light of the Community interest, it was bound both to examine the evidence put forward to determine whether there was any anti-competitive conduct, and give the reasons for any deci-sion adopted in that context.

The CFI rejected the applica-tion for annulment, as there

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The perpetrator of 'high style'

time I managed to escape from the Serpentine Gallery just as attendants were setting up a queueing system to control the crnwds. The rooms were already filled to bursting with a shuffling throng, peering at some of the most famous images and objects in the history of modern art. Everyone knows tha iron with the tacks, the metronome with tha eye on it, the naked lady-come-violin, but even today their maker, the American artist Man Ray, remains a somewhat enigmatic

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It has become the done thing to do Man Ray down, lament his lack of seriousness, his failure" to-apply himself faithfully to just one of the disciplines - painting, drawing, sculpture, object making, film making and photography - he practised throughout his life. But it was surely just this versatility, this refusal to be pinned down by the limits of any medium, which made him such an archetypically modern artist, a role model, some say, for Andy Warhol himself.

When he moved to Paris from New York in 1921, Man Ray very quickly found himself occupying a position like that of Warhol some 50 years later, at the centre of the interlocking worlds of art, culture and

Earning his living doing fashion and advertising photograpby, Man Ray's innovative and experimental style quickly made him the chosen portraitist of the intelligentsia and their hangers-on, his studio a vital stop on the fashionable circuit, his portraits documenting a world which became the first epitome of high style. Here they are, cosseted in dim light, the prints perhaps smaller than expected, the sense of past time almost palpable, but the magic of fame still powerful: James Joyce, Gertrude Stein, Cocteau, Matisse, Braque, Picasso, the beautiful Lee Miller and Kiki de Montparnasse, still fascinating after all these years. Man Ray had gone to Paris

to further his career as an artist, stalled in New York when his shift from Cézannesque landscapes and portraits to a new style of flat, mechanical shapes painted with an air brush was unenthusiastically received. But his rejection of a "retinal" for a "mechanical" approach to art was in perfect tune with the thinking of Marcel Duchamp, whom he had met in New York in 1916 and who walcomed him into the

heart of Paris Dada. As the Dada luminaries Tzara, Eluard, Aragon and Breton engaged in flerce verbal hattles, the new arrival concentrated on establishing himself. and a few months later was having his first exhibition at Librairie Six. At the opening,

Lynn MacRitchie reviews the work of Man Ray

he went off for a stroll with a stranger who turned out to be the composer Eric Satie. Passing a hardware shop, they purchased the pieces of what was to become perhaps the most powerful Dada object ever made, "Cadeau", 1921, the iron with the nails, a one-off joke which Man Ray was astonished to find himself asked to recreate for the next 50 years.

It is this speed of response, this sense of a clever mind teeming with ideas and skilful hands quickly tiring of the inevitable plod of 'the sticky science of painting", as he called it, which has led some to question the seriousness of Man Ray's work, in a way that that of his friend and fellow joker Duchamp has never been. But it was Man Ray who helped Duchamp with the construction of the "Large Glass", begun in their earliest days together in New York and seen bere in the tiny print "Dust Raising", 1920. It was Man Ray, who took the photograph of the anthropomorphic egg whisk he titled "Man" in 1918, who hest understood

Duchamp's fascination with the machine as metaphor for modern life and modern sex. and who realised with him the expressive potential of everyday objects in a way which was to change the face of art

But as Duchamp became ele vated to his throne in the modernist Pantheon, his lifelong friend - they played chess together on the night Duchamp died - at first slipped back, his ability to operate successfully in many worlds ensuring his acceptance in none of them.

Certainly his enormous pop ularity now is undoubtedly based on his work as a photographer, which continues to influence directly the torrent of "style" which fills newspa-pers, magazines and television programmes. The room at the Serpentine which holds his paintings is noticeably quieter than those where the photos and objects are displayed.

But as a painter too he could be more than skilful, more than just inventive. Take "Le Beau Temps", tha canvas which he kept visible on the painting halcony in his last studio in Paris. Here, among the orderly clutter, the objects gathered on every surface, this large image dominated, capturing forever a moment in 1939 just before the war which was to drive him back to an uneasy sojourn in the US.

Two strange figures stand on either sida of a door. One grasps the handle, and as it turns, blood seeps from the keyhole. In the distance, visible through a window, a couple embrace, the easel beside them abandoned, while on the surface above two strange creatures tear at each other in savage conflict. A sense of historic unease has been captured, its terrible significance clearly expressed. When it cama to the mood of the moment, Man Ray, smart, cool, competent and quick, always knew how to

Man Ray: Serpentine Gallery, Kensington Gardens, London W2 3XA until March 12. Sponsored by the REL Consultancy



Opera/Richard Fairman

Der Rosenkavalier

t is difficult to accuse the Royal Opera of penny-pinching. There was a time when Strauss's *Der* Rosenkavalier used to be regarded as a special treat reserved for festival conditions, so large is its orchestra and so great its demands on rehearsal time, but these days it comes round just like any other

Admittedly, this season's revival at Covent Garden reassembles an ilready well-tried cast. The raison i'etre of the performances was to nave been Anne Sofie von Otter'a irst Octavian in London, but the wedish mezzo has been suffering from a cold and cancelled on Saturlay morning. Ann Murray, who had inished ber run of Cost fan tutte mly the night before, had doubtless seen looking forward to a day off. nstead it was back to the opera iouse, swapping her Armani Cosi ostume for the Rosenkavalier's sil-er rococo suit on the way. It will have been difficult to tell

hat a substitution had been made. an Murray knows the production

well and Felicity Lott's Marschallin has more often than not been at her side. They are well-matched light voices, neither given to stressing any emotional gravitas in their roles. It seems fitting that such a shy and impressionable Octavian should be involved with a Marschallin less formally aristocratic than usual; their relationship feels on the shallow side, a "Viennese masquerade" and nothing more, as Holmannsthal says. Ann Murray was in good voice, showing no tiredness at taking on a hefty additional engagement. Felicity Lott lacks Straussian weight of tone, but still floats the opening of

the trio delectably. arbara Bonney was in the production when it was new and ten years on is still shiningly pure-toned, once past some fluttery top notes early on. Her Sophie is an immature chatterbox with a will of her own, not the usual demure wallflower Aage Haugland was also in the 1984 performances, but his voice is now

losing substance. His big baby of a Baron Ochs, roly-poly faced with an ear-to-ear grin, relies on character to carry him along.

The only newcomers to the cast were Leah-Marian Jones and Robin Leggate as the skilful Annina and Valzacchi, Alan Opie'a Faninal and Tito Beltran, who made the most of his two minutes of glory as the Italian tenor.

Andrew Davis in the pit is also a known quantity, a Strauss conductor who appeals to the head more than to the heart. The brain notes that everything he is doing is right getting precise playing, not wallowing in the slow music, keeping the orchestra down so that the singers can be heard - but the emotions refuse to respond. There is little Germanic warmth, even less tear-in-theeya Viennese sentimentality. It says much for the opera that the handkerchiefs were out at the end as

Further performances ending March 3 (with some changes of east).

he legs have become shaky, but the intellect remains undimmed. It seems almost unthinkable that Sir Michael Tippett could have celebrated his 90th birthday just over a month ago. His ability to sense the rhythms of a younger generation and keep in tune with new fashions and ideas has been so vital that time should not have dared lay a finger

on him. This year he is ~ remarkably planning to travel the world to participate in festivals of his music. In Britain the major Tippett retrospec-tive fittingly comes from one of his most trusted supporters: Colin Davis, who will be conducting the London Symphony Orchestra's programmes in the "Visions of Para-dise" festival (must every concert series have a title with allure these

days?) at the Barbican. Posterity should have no trouble placing Tippett. He is simply one on his own. The more he absorbs inflnences from nutside, the mure resolutely he is himself. There are tha philosophical borrowings, the slang, the pop culture, the spirituals and blues, the sci-fi, the ethnic minority interests, but the final amalgam is so peculiar to him, it could only be Tippett. Perhaps a time capsule should be buried with Concert

l'ippett ninety

an overview of his work. It would have plenty to tell posterity about the preoccupations of the later 20th

The opening concert un Sunday hegan with his early oratorio A Child of our Time - a title which might neatly have been used for the festival as a whole. It is probably Tippett's hest-known large-scale work. Each decade since it was written in 1944, it has seemed as relevant as before. A week after newsreels of Auschwitz, its universal theme of persecution and racial injustice has lost nothing in immediacy.

The score stands in relation to Tippett's output much as Peter Grimes (50 years ald this year) does to Brit-ten's. Both established their compos-

ers' reputations and are major state-ments of their beliefs; both carry a strong message, expressed with striking musical ideas. But Britten and Tippett both went on to write music of a higher standard, more consis-tently their own in style and timbre.

The spirituals in A Child of our Time tend to smack of the sturdy English amateur choir in Tippett's arrangements, though less so when they are performed as fervently as by the London Sympbony Chorus at the Barbican. Colin Davis takes a more weighty view of the music than he used to, announcing the opening bars with momentous grandeur, and the LSO played marvellously for him. On the top solo line Deborah Riedel floated radiant high notea, contrasting with Flurenca Quivar's incisive mezzo below. The tenor, Laurence Dale, strove valiantly to keep up with John Tomlin-son's untameable bass roar to his

A lew rows in front of me. Tippett was quietly beating time, marking this favourite phrase or that. He will have enjoyed a fine opening to the festival. There are five mure LSO concerts to come, together with chamber recitals, lasting to the end of the month.

Theatre

Mad and her Dad

To have to hand it to a theatre company that states on the front of its programme, "If it's good - It's a miracle". Sadly. in this case, Miracle Productions tempt fate ton far. Changing water into wine would probably be easier than turning Mad and her Dad into a happy event.

Paul Sband's musical certainly scores on originality. It is the first show about wallpaper this year, and probably the first about pornographic wallpaper. Billed as a musical comedy, it confinunds all your expectations by presenting you with a string quartet on stage, and it matches a wbimsical story to the form of a through-sung musical.

It is a bold experiment. clearly intended to be fresh and fun. But like many an adventure in Interior decorating, the idea that seemed so good in the shop proved a terrible mistake once von see it at full stretch all over the

The story is no dafter than many musical comedies: Madeleine is a lonely girl with a broken beart, but when sbe takes on a new lodger and a job in a wallpaper sbup things look up. She and the walipaper vendor are just embarking on a nice little romance when be, a version of Mr Nice-bnt-Dim. realises that his latest designs in the nursery line are rather too explicit about animals' anatomy. All hell breaks loose. but there is a happy ending the rude designer turns ont to be Mad's long lost Dad. They are reconciled, the wallpaper becomes wildly fashionable and they are all in the money.

There are underlying themes: Mad's search for love and affection; the fact that her Dad, a relic from the 1960s makes his values successful for the 1990s. But they are only tonched upon and the storyline is bedevilled by a paper-thin script. Subject and form will pull in opposition directions, the restless, difficult score (beautifully played by the Lyric Quartet) seems at odds with the light comic tone, and the actors often have to wrestle with the music. They all have strong voices, hnt they really have to belt the words out, with the result that they often seem to shout.

Denise Black as Madeleine, a kind of Shirley Valentine figure, has an appealing presence and a powerful voice; Kate McKenzie sparkles as the mean, feline, money-grabbing lodger; Courad Nelson rings plenty of humour out of the nincompoop Tom and Tim Hardy, as Dad, has a warm, ricb voice and seems the most comfortable with the music. Under Glen Walford's direction they form a strong cast but they are fighting with the script that is neither full enough nor funny enough to carry off the plot.

There are some points were the show gels, and there is some lovely pastiche - the shuw ends with a victors slanging match delivered as a coortly minnet. It is just beginning to grow on ynn like the wallpaper - when it comes to a halt. The show has spirit and daring, but no amount of papering over the cracks can make it work.

Sarah Hemming Lyric Studin, Hammersmith.

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artists.; to Feb 12 LONDON

CONCERTS Barbican Tel: (0171) 638 8891 Coleman conducts the National Symphony Orchestra with tenor Bruce Rankin and baritone Steven Page to play a wide and varied programme of classical music; 7.30 pm, Feb 11

Tippett: Visions of Paradise: Sir Colin Davia conducts the London Symphony Orchestra to play Tippett's, 'Triple Concerto' and Elgar, 7.30 pm; Feb 12 Festival Hall Tel: (0171) 928 8800 ● Igor Oistrakh Plays Mendelssohn and Tchaikovsky: Simon Phipps conducts the English Chamber Orchestra and violinist Igor Olstrakh;

7.30 pm; Feb 11 Philharmonia Orchestra: with violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner; 7.30 pm; Feb 8 Royal Academy Tel: (0171) 439

 Philharmonia Orchestra: Kurt Senderling conducts Beethoven and

Shostakovich; 7.30 pm; Feb 12 National Portrait Tel: (0171) 306

0055 Christina Rossetti: an exploration of the Victorian poet on the centenary of her death; to Feb 12 OPERA/BALLET

English National Opera Tel: (0171) King Priam: a new production of Tippett's opera that opens the London festival - Tippett: Visions of Paradise, to celebrata the

composer'a 90th birthday; 7.30 pm; Feb 9, 11 Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss; 7.30 pm; Feb 10, 13

Royal Opera House Tel: (0171) 340 Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller, Conductor Evelino Pidó, In Italian with English surtities; 7 pm;

Feb 8 Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna. Tomowa-Sintow as Prinzess von Werdenberg; 6.30 pm; Feb 7, 11

 Giselle: music by Adolpha Adam. A Royal Ballet production choreographed by Marius Petipe after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30 pm; Feb 9 La Bohéme: by Puccini.

Conducted by Simone Young/ Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/ Amanda Thane as Mimi and Maria McLaughlin/ Judith Howarth as Musetta: 7.30 pm; Feb

National, Cottesioe Tel: (0171) 928

Dealer'a Choice: written and directed by Patrick Marber, skr men stay up late to play poker, and win at all costs; 7.30 pm; Feb 9 (7 pm), 10, 11 (2.30 pm) National, Lyttelton Tel: (0171) 928

 The Children's Hour by Lillan Heliman, directed by Howard Davies; 7.30 pm; Feb 9, 10, 11 (2.15 pm) National, Olivier Tel: (0171) 928

 The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denia Quilley as Falstaff Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress

Ford; 7.15 pm; Feb 7, 8, 9 (2 pm)

NEW YORK OPERA/BALLET Metropolitan Tal: (212) 362 5000 Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli,

conductor Christian Badea: 8 pm; Feb 7, 10 Il Barbiere di Siviglia: by Rossini Produced by John Cox, conducted by David Atherton; 8 pm; Feb 9, 11
La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by

John Flore; 8 pm; Feb 13 Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi; 8 pm; Feb 8, 11 (1.30 THEATRE Circle in the Square Tel: (212) 239

 Uncle Vanya: by Chekov. Cast includes Tom Courtenay, Amanda Donohoe and James Fox; 8pm Joseph Papp Public Theatre Tel:

(212) 598 7150 • The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock; 8 pm; (Not Mon) Perry Street Tel: (212) 307 4100 Dylan Thomas: Return Journey and The Truman Capote Talk Show Two one man shows written and starring Bob Kingdom. Direction by Anthony Hopkins and Kevin Knight; to Feb 11

■ PARIS CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 Jorge Chaminé: baritone with pianist Maria Françoise Bucquet plays Tchaikovsky, Borodin and Glinka; 8.30 pm; Feb 7

GALLERIES Musée d'Orsay Tel: (1) 45 49 11 11 James McNeill Whistler: exhibition of works; from Feb 8 to

Apr 30 **OPERA/BALLET** Opéra National de Paris, Bastille

Tel: (1) 47 42 57 50 La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists Include Beatrice Urla-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust, 7.30 pm; Feb 9, 12 (3 pm) Lucia di Lammermoor. by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the Orchestra and Chorus of the Paris Natinnal Opera; 7.30 pm; Feb

■ ROME CONCERTS

Teatro Olimpico Tel: (06) 323 4890 Festival Orchestra of Brescia and Bergamo: with pianists Gerhard Oppitz, Bruno Camino and Antonio llista. Agostino Orizio conducts Bach; 9 pm; Feb 9

■ WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467 4800 National Symphony Orchestra:

with vinliniat Cho-Liang Lin. Paavo Berglund conducta Kokkonen, Tchalkovsky and Brahms; 8.30 pm; Feb 9, 10 GALLERIES Corcoran Tel: (202) 638 3211

 Family Lives: photographs by Tina Barney, Nic Nicosia and Catherine Wagner. Exhibition explores tha power of photography to subvert or reinvent our experience and understanding of events and relationships; to Feb 13
OPERA/BALLET

Washington Opera Tel: (202) 416 Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production; 8 pm; Feb 9

 The Bartered Bride: by Smetana. Conducted by Heinz Fricka. In English; 8 pm; Feb 8 Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene; 8 pm; Feb 13 (7

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Financial Times Business

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And so, on the surface, it appears. Vietnam plans to join the Association of South-east Asian Nations this year. Mr Nguyen Long, the country's trade ambassador, says it is working hard for membership of the new World Trade Organisation. Vietnam has attracted the attention of hig multinational investors such as Ford Motors, Daimler-Benz, BHP of Australia and Keppel Corporation, tha fast growing Singapore conglomerate.

Yet officials of the World Bank and the International Monetary Fund who monitor the country's progress admit the popular image of Vietnam as the latest Asian tiger-inwaiting is not yet fully credible. Some of the most difficult parts of its economic restruct-

Compared with 10 years ago when there was byper-inflation, widespread etarvation and an exodus of boat people, the situation is much improved. Set against other state-planned economies in transition to a market system Vietnam has done remarkably well, especially considering that it received no western help at all until a couple of

Growth last year was nearly 9 per cent, and if inflation edged up to 14 per cent, that was partly the result of higher food prices in the wake of beavy monsoon rains. With such good statistics, it is easy to overlook that Vietnam remains a very small economy - total output is only \$15bn and a very poor one, with a per capita income of just

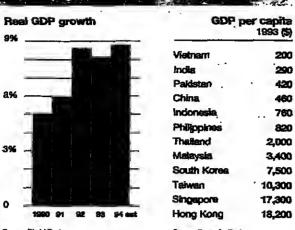
Even with annual growth rates of about 10 per cent, it would take Vietnam a generation to catch up with the living standards enjoyed by Thailand now. That country will hardly have stood still in the mean-

The danger, international officials say, is that the government - flushed with all the ettention it has managed to generate - will try to run before it can walk. There is little purpose, for example, in proposals to launch a stock market in a country as poor as Vietnam when there are few large companies to list and no established accounting skills to measure their performance.

Vietnam needs more reform, not money, says Peter Montagnon

Weak claws of tiger cub





Similarly, Vietnam's plans to tap the international bond markets look over-ambitious. Vietcombank, the state bank which finances foreign trade, has awarded a mandate for a \$50m to \$75m floating rate note to Standard Chartered. When and if the bond is launched, it will be a test run for a bigger issue of up to \$200m for the state Treasury itself.

The leaking of the Vietcombank mandate provoked a rush of interest from investment banks anxious to help underwrite the issue. But international officials say borrowing in the bond market could be counter-productive when Vietnam is in the process of rescheduling some \$800m of commercial bank debt, owed mainly to Japanese banks. The rescheduling will effectively involve writing down the debt to half its nominal

agree to take this loss if Vietnam was borrowing freely else-Besides, foreign finance is

value. The banks would hardly

the least of Vietnam's problems. Not only does it have the foreign direct investment commitments. It also has aid pledges of \$1.8bn for 1994 and \$2bn for this year. The striking point is that, as with the foreign investment. Vietnam has managed to take up only a small proportion of the offers it Actual disbursements of for-

200

420

760

820

2,000

3,400

7,500

10,300

17,300

18,200

eign investment last year do not appear to be more than about \$400m, while some estimates of aid disbursements last year run as low as \$200m. Both investors and donors say they have become frus-trated at the amount of red tape and corruption they have to endure before a project can start. "Corruption has become a serious hindrance to economic development," according to Mr Hung Tran, the Vietnamese emigré who heads

There is evidence that the vernment is trying to deal with this problem. To stream-

IS INTERNATIONAL

Dentsche Bank Research in

line the disbursement process Mr Vo Van Kiet, the prime responsibility for projects in excess of \$40m, but the difficulties experienced by foreign investors and donors go to the nub of the problems facing

Vietnam has made great strides forward by liberalising the foreign exchange regime, agriculture, and prices that were previously fixed. From being a net importer of rice in 1988, it has become the third largest exporter in the world after the US and Thailand

Vietnam's fiscal deficit was cut last year to about 3 per cent of gross domestic product from over 6 per cent in 1993. and is expected to be little more than 3 per cent again this

nt the country bas been far less success ful in creating the institutional framework in which a free market economy can flourish. The physical infrastructure is poor: the banking system functions badly even at the level of basic payments transmission; fundamental decisions remain to be made on the dismantling of state enterprises and the unwinding of subsidies.

On top of that, Vletnam needs further legal reform to ensure that predictable rule of law prevails. Only when these sorts of reforms are complete will the country be able to make efficient use of the foreign capital at its disposal.

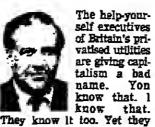
The encouraging point, says Deutsche Bank's Mr Tran, is that Vietnam's leadership recognisee the need for restructuring. Strong growth and international economic ties offer Vietnam "the best security guarantee", especially with neighbouring China becoming more powerful, he wrote in a recent report on

Whether the leadership car deliver is another matter. Mr John Brinsden of Standard Chartered, a banker with five years' experience in Vietnam, warns that the central government may have difficulty pushing reform down through the lower levels of tha bureaucracy. "As you go down the pecking order, it's apparent that socialist thinking is quite

The biggest worry remains whether the political will to expedite reform exists at all levels of government. There is little comfort in the old Vietnamese saying that the emper-

Joe Rogaly

Twisting tales of rapacity



know that, 1 know that. They know it too. Yet they continue to behave as if there was no public disapproval. This is self-regard run riot. Perhaps they do not comprehend the way the wind is blow-ing. Let me describe it for n: if the drip-drip of stories of greedy directors continues it will be next to impossible for the Conservatives to recover public support.

Mr Gordon Brown is well aware of this. Labour's shadow chancellor said yesterday that, since privatisation, share options worth over £23m have been turned over to directors and senior executives of National Power and PowerGen. We sort of knew that before, but the latest numbers are no less potent for being unsurprising. Mr Brown's political projectile followed the publication of a report by Incomes Data Services, an independent research company, reminding us that the chief executive of PowerGen enjoyed a paper profit of £1.2m from a single

grant of options last year. Five of his fellow directors collected similar notional amounts of between £231_190 and £783,275. The electricity company will naturally explain that stringent performance tests are applied. These are set out in the annual report. Such self-set burdles are rarely difficult to clear. IDS notes that frequently used benchmarks. such as growth in earnings per share, are easily reached. The common sense view is that former public employees on once modest salaries have not been transmogrified into supermen

by privatisation. We know the truth. When it

owned quasi-monopolies, or duopolies, inflated total remuneration packages are regarded by the average citizen as highway robbery. If this or that chief executive of an easilymanaged utility needs bags of gold to tie him down, let him prove it. He (I count no shes in this category) could publish details of any tempting offers received from rival or equivalent companies. If he is shy, he could leave a discreet file with the librarian at the House of

in the absence of such evidence we may take it that, like the celebrated Mr Cedric Brown of Brit-

ish Gas, Mr Ed Wallis PowerGen. be of the £1.2m, is recipient of an unaccountably generous windyou or I, such gentlemen are grasping with prove it both hands the bounty deliv-

ered to them by a kindly fate. In electoral terms this says one thing those in e position to look after themselves, do. The consequence could be the return of a Labour government, perhaps in time to set the Budget of November 1996. Chancellor Brown - Gordon B, that is, not Cedric - might then find the public positively willing him to impose extra taxes on the fortunate func-tionaries of the former gas, electricity and water boards. He would therefore have to raise taxes on everyone on

very high earnings. You may disagree. Labour is so moderate these days, my dear. Nothing has been said about piling imposts upon the rich, certainly not until the pips squeak. All that Mr Brown or the party leader has indi-

The help-your- comes to previously state- cated is that there will be a system of "fair" taxation. True, but surely that is signal enough. "Fairness" means nothing unless it is that a level will be set above which the highest rate of income tax will be increased. In some Labour circles this is the "£64,000 question", but the experience of the April 1992 election campaign should rule out so low a threshold. Remember? A "fair" alternative budget was pub-

lished shortly before polling. It would have increased taxes on every income above the low twenty thousands. Labour lost. The people's party is in no mood to take chances next time. If not

£64,000, then If this or that where might the line be chief executive drawn? There of an easily is a presentational differmanaged utility ence between a needs bags of six-figure sal-ary and earn-ings within five gold to tie him down, let him figures. Most voters would ragard

> say, 10p in the pound in tax on income above £100,000 as just. It would still leave the top rate 10p below where it stood under the Conservatives until 1988. This, combined with a Clintonesque requirement that no high earner ebould pay less than half his or her income in tax, would rule out various avoidance devices such as offshore havens and trusts. Mindful of 1992, the shadow

chancellor is not saving anything about increases in the marginal rate of personal taxafocus on what Labour calls the undeserving rich". He therefore proposes the direct election of independent remuneracommittees shareholders, a notion similar to that put forward by Mr Jonathan Charkham in yesterday's

room remuneration should be voted on at the annual general

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meeting. Labour is pondering whether executive pay should be disallowed as an above the line cost to the company unless given prior approval by shareholders. Pay not so approved would then be deducted from distributable profits. Options would be taxed as income when exercised, not as capital when sold. This would deny the holder the opportunity to use the capital gains allowance, or to transfer the shares to a spouse who the utilities, regulators would be able to cut prices where they considered pay rises to be excessive. There is also talk of windfall tax on utility

The above possibilities are mild when set against the outrage felt by some people at the unearned executive salary increases awarded by buddy committees chosen by boards of utilities to oversee their own remuneration. We are not supposed to talk about injustice nowadays, but when bonuses and share price-related options are pumped up by reducing the or, worse, by sacking one tenth of the workforce after another, the ordinary voter knows something is ethically

Come to think of it, Labour should wish the power and water chiefs well. Every new twist to the tale of their rapac-Tories have lost touch with ordinary folk. An unbreakable thread binds such stories to news about political corruption. Perhaps the people's party should cast aside ali thought of curbing Messrs Cedric Brown and Ed Wallis and their ilk. If Labour wins, and the new prime minister knows what gratitude is, he will have them made earls and barons.

Unanimity

by Greece to exert leverage on

the Turkish Cypriots via Tur-

key are misconceived and dan-

gerous, and should receive no

support from European

In 1960, leverage was exerted

upon both the Greek and Turk-

ish Cypriots to make them

accept a compromise constitu-

tion about which they both

had grave reservations. Within

three years the Greek Cypriots

had repudiated the agreement, thrown the Turkish Cypriots

out of all their positions in the

state, and commenced 11 years

of persecution which ended

only when the Turkish Cypri-

ots were rescued hy Turkey in

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine').

Translation may be available for letters written in the main international languages.

Stupidity of idea to overrule decisions of European Court

From Mr Nicholas Forwood QC. Sir, The European Court of Justice continues to be a prime target for attack in the run-up to the 1996 inter-governmental conference. At a meeting at Brasenose College, Oxford, last September, critics of the court condemned its ruling in Francovich as judicial legislation, and called for the court's powers to be curtailed.

Several ministers in Whitehall are thought to be sympathetic, some etill smarting from the after-effects of the UK's failure to implement fully the 1977 Acquired Rights directive. The latest idea, reported in the FT article "Government to demand curb on European Court" (February 2), is a UK government proposal that would allow decisions of the European Court to be overridden by a majority vote in the Council of Ministers". It is also possibly the stupidest. It is unclear just what deci- so, perhaps the UK's initiativa | London WC2 3JJ. UK

only prospective or retrospec-tive; and whether it will seek to take away from litigants in the instant case, or others whose claims are pending, the relief that they were entitled to on the law as it stood. Presumably, the government

has in mind judgments which interpret a Treaty article or Council secondary legislation in a way the UK disagrees with. But this Pandora's box, once opened, will presumably be open to all. Will other member states similarly be able to invite the Council (by qualified majority) to overturn a Court judgment that has adopted an interpretation for which the UK was contending? Will this new mechanism apply to all Treaty provisions and even secondary legislation which at present requires unanimity? If

Anderson [1942].) Nicholas Forwood, Brick Court Chambers,

The UN secretary-general is wise enough to understand that no settlement will work unless it is approved by both the peoples of Cyprus in sepa-

Attempts by Greece to use its position in the EU to force a settlement will not succeed, bnt if they did they would cause further bloodshed in Cyprus, and even war between Greece and Turkey. Keith Speed,

chairman, Parliamentary Friends of Northern Cyprus, House of Commons London SWIA QAA, UK

Paying for tax advice

From Mr Nicholas Andrew. Sir, By way of background to the Kingfisher payment of Sir Geoffrey Mulcahy'a personal tax bill ("Kingfisher pays Mul-cahy personal tax advice bill", February 4/5), my experience is that, during the last five years, dependent on basic level of Serps was one scheme which the US practice for directors of large public companies to have their personal tax fees paid by the employing company has become far more common in the UK.

However, except in the case of chief executives and some chairmen, it remains the case that, while tax compliance costs are met often directly by the employing company, fees for specialist advice, such as inheritance tax or capital gains mitigation, are paid for more frequently by the director on an individual basis. Nicholas Andrew, chartered accountant 10 Orange Street, Haymarket, London WC2H 7DQ, UK

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only answer for Cyprus sions of the court will be liable Prom Sir Keith Speed MP. to be overruled in this way; enthusiasts as providing a way in which majority voting can Sir, Your leader, "EU and whether the overruling will be Turkey" (February 2), fails to overcome British (or other make it clear that the attempts

states') obstinacy in areas where at present unanimity is required. Europe's legal order has enough problems at present without this Looking Glass nonsense: "When I use a word," said Humpty Dumpty in a rather scornful tone, "it means just what I choose it to

mean, neither more nor less." "The question is," said Alice, "whether you can make words mean so many different things." "The question is," said Humpty Dumpty, "which is to be master – that's all!" (Through the Looking Glass, c.vi, cited with approval by Lord Atkin in Liversidge v. 15/19 Decereux Court,

Wrong view of dietary requirements

From Ms Margaret Fox. Sir, Barry Groves's article "Meat eating myths" (February 4/5) is shocking not because of the opinion expressed - it is a common one - but because of the large degree of ignorance he shows about human dietary

The myth of protein-combining was debunked some years ago. Human beings get adequate protein from a varied diet and it is now known that not only soy, but grains such as quinoa, contain the eight plete amino acids needed. B-12 is available from yeast,

miso and other such sources. In fact, most people eat too much protein. Doctors and even government officials are urging people to eat more grains, fruits and vegetables and to cut down on animal fats - which make up most of the calories in meat and dairy

Vegetarian and vegan diets have been shown not only to be healthy, but to be healthier than the diets of meat-eaters. Perhaps small amounts of meat do little harm to a person, but they are certainly not necessary for good health. Nor,

is meat necessary for survival.

People eat meat because they are accustomed to it and like the taste. Whether this is a moral thing to do, considering that cows, sheep, pigs, poultry and fish are all vertebrates that feel pain in exactly the same way we do, is a bigger issue. But Groves is very mistaken when he says it is the vegetarians who are

in our modern agricultural age,

selfish. Margaret Fox, 5 Moscow Road,

state provision.

Towards immortality From 14r Meroyn Kohler. Sir, Richard Disney and Paul Johnson (Personal View, Feb-

Sir, In the Weekend FT books section (Fehruary 4/5), Mr Joe Turney reviewed The Physics of Immortality, a "fat book" by Frank J. Tipler about a hypothetical Omega Point.
I would advise that Mr Tur-

ney read up on Pierre Teilhard de Chardin, philosopher and palaeontologist, best known for his direct involvement in the discovery of the Peking Man's skull near Peking in 1929 and least known for his theory that man's evolution was moving forward towards an Omega Point, the "ultimate conver-

gence". William T.A. Mathieson, PO Box 115, Point Lookout New York 11569-0115. DS

Badly served on pensions

ruary 3) were right to draw ettention to the withering away of the State Earnings Related Pension Scheme (Serps), and the implications this will have for the incomes of UK pensioners in the future.

A point additional to their article is that the pensioner population is predominantly female - 60 per cent of people above 65 are women. With a greater incidence of part-time work, and with longer career breaks, women are not well served by many pension schemes, and Serps (particularly before the 1986 reforms)

has offered the prospect of

some security in retirement.

As we dismember Serps fur-

ensured that people, who might not otherwise have had the opportunity of volition to take out some other pension provision, at least made some realistic arrangements for their retirement. As we see the costs of community care and other services becoming increasingly the responsibility of the indi-vidual, we should be creating better incentives for people to save for their older age, not a policy which minimises the value of pensions. Mervyen Kohler, head of public affairs, Help the Aged, St James's Walk, Clerkenwell Green

London EC1R OBE, TIK

ther, we risk seeing future gen-

FINANCIAL TIMES

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Tuesday February 7 1995

government in the process.
Since then Poland has gone

through four government crises accompanied by similar back-

stage intrigue from Mr Walesa and

his shadowy advisers. As a result the country has acquired a reputa-

tion for political instability which

has delayed privatisation, frus-trated would-be foreign investors,

With all his accumulated pres-tige, Mr Walesa could have been a great president, taking the lead in

strengthening the institutional

base to underpin post-communist

rule. Instead he has shown himself

incapable of understanding that

democracy is based on the rule of

law and respect for democratic institutions. His declared role

model is Marshal Pilsudski, the

inter-war military dictator, his

political style, fronically, is that of the all-powerful communist party

first secretary, hectoring and

Now, in pursuit of re-election in November, he is again destabilis

ing a democratically-elected gov-

ernment in the hope of gaining anti-communist votes. He may

succeed, in the narrow sense of

achieving a change of prime min-

ister and improving his chances of

re-election. But such a victory

would do nothing to resolve the

fundamental struggle between a

president with Gaullist-style pow-

ers and the elected government. In this way, Mr Walesa's quest for

parsonal power continues to

weaken Poland's preparations for

eventual membership of Nato and the European Union.

for the failure to introduce ade-

quate competition at the time of

privatisation. The two generators

currently own virtually all the

coal and oil-fired power stations,

which means they have great con-

trol over wholesale prices and

Recent weeks have heard a ris-

ing chorus of complaint, particu-

larly from chemical companies,

are too high. The surge in prices

has been caused largely by the temporary closure of two of

Nuclear Electric's nuclear reactors

which normally supply much of

the national grid's baseload

requirements. But in the absence

of greater competition, the regula-

tor is right to pay close attention

to these complaints and to the

For their part, the generators

should now make more vigorous efforts to sell capacity, and should be seen to do so. On his side, Prof

Littlechild should show no hesita

the MMC if they fail to do so.

tion in recommending referral to

If the MMC does investigate,

ministers should pay close atten-

tion to its views. Last year they refused to back an MMC's recom-

mendation that British Gas be bro-

ken up. However, the need for

greater competition in electricity

is clear. The government falled to achieve this in the initial privati-sation, and industry has paid tha

price. But the system of indepen-

dent regulation stands a chance of

correcting those defects. The regu-

lators should be supported in

level of pool prices.

those of longer-term contracts.

intriguing behind the scene

and disfilusioned Polish voters.

Strain on Polish

democracy

As the charismatic leader of Poland's anti-communist Solidar-

ity movement, Mr Lech Walesa

won widespread admiration. He played a crucial role in the pro-cess which ended communist rule

in Soviet-occupied Europe in 1989 and which culminated in the dis-

integration of the Soviet Union

itself. History will remember him

as one of the most significant fig-

ures of the 20th century.

As president of the democratic

Poland he did so much to bring

about, however, Mr Walesa has proved deeply flawed. His

undoubted qualities of courage

and cunning and his intuitive

understanding of ordinary peo-

ples' desires and fears made him

an effective saboteur of commu-

nist rule. But over the last five

years he has misused those talents

to undermine democratically-

fusion among the electorate.

elected governments and sow con-

In large measure Mr Walesa is

responsible for the return to

power of political parties with

their roots in the communist past

at free elections in September

1993. He paved the way by his

attacks on the first Solidarity gov-

ernment led by Mr Tadeusz Mazo-

wiecki and his populist criticism

of the "shock-therapy" economic reforms introduced by Mr Leszek

Balcerowicz, the finance minister.

His attacks on the Solidarity

government were motivated

largely by his desire to return to

dent of Poland. He won the

December 1990 presidential elec-

The shadow of the Monopolies and Mergers Commission hangs over

the pathfinder prospectus for

National Power and Powergen, the

two UK electricity generators,

published yesterday. The docu-

ment, which sets the terms for the

sale of the government's remain-

ing 40 per cent stake, warns that

the generators could be referred to

the MMC on two separate counts.

tle progress in divesting capacity

to competitors, as Prof Stephen Littlechild, the regulator, has

ordered them to do. Ten days ago

which delayed the prospectus - he

also warned that he would moni-

tor the generators even more

closely because wholesale electric-

ity prices had hit record levels. Prof Littlechild's credentials as an

independent regulator are clearly

strengthened by his lack of inhibi-

tion in making such remarks ahead of the sale. But it is unclear

whether his tough talk will lead to

A year ago, the regulator told

the generators to sell 6,000MW of plant, equivalent to six large sta-

tions or 10 per cent of England's

generating capacity, by early 1995.

So far, nothing has been sold. The

generators argue that they have not been offered adequate prices

and would short-change shareholders if they sold too cheaply. But potential bidders such as ICI,

the chemicals group, say that the

generators' asking price is too

The divestment matters because

Nolan committee

it offers at least a partial remedy

The UK government's submission

to Lord Nolan's committee on standards in public life is breath-

taking in its complacency. From

the presentation yesterday by Mr

David Hunt, minister for public

service, one wonders why the gov-

lish the inquiry in the first place.

The challenge for the Nolan com-

mittee is not to lose touch with

public opinion and the reality that

standards of conduct are a cause

of concern. They will continue to

be so unless real changes are

made to rules governing appointments to quangos and conflicts of

interest affecting those holding

Mr Hunt's evidence centred on

public appointments and the oper-

ation of appointed quangos, but in

the course of a press conference he touched on the other issues

under consideration by the Nolan

committee. in effect, he ruled out

any significant changes. He

rejected "any inference that fall-

ings in integrity and probity" had

resulted from the dramatic rise in

the budgets and responsibilities of

The government's recommenda-

tions extend no further than

clearer job descriptions and the

quangos in recent years.

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Generating rivals

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wider advertising of posts. The idea that appointments to public bodies should routinely be submitted to advisory bodies is rejected. Mr Hunt was similarly dismis-sive of the idea - supported by former Conservative ministers appearing before the Nolan committee last week - that new curbs might be needed on the business interests acquired by ministere

after leaving government. He appeared to put business directorships on a par with journalism and the writing of memoirs in this regard. Instead, Mr Hunt raised the spectre that public spirited individuals might be reluctant to serve on public bodies, or even as ministers and MPs, if further curbs were imposed on appoint-

To the extent that such reluctance is evident - and there appears to be no shortage of individuals competing to enter Parliament and government - it is an argument for better remuneration of office holders. It is not a reason for failing to address concerns about ministers and civil servants moving through "revolving doors" to companies with which they had close connections in office. And it is irrelevant to the issue of appointments to quangos, except insofar as a minority of such posts carry significant salaries, making transparency in appointments all

ments and outside interes

the more important. The Nolan committee should not be deflected by Mr Hunt from tackling these issues. It needs to consider the merits of a cooling-off period" for former ministers before taking business appointments. particularly in industries with which they had close connections in office. And there is a strong case for some form of advisory body to monitor quango appointments on a routine basis. The government's claim that such bodies would lack ministerial "accountability" rings hol-low if the abuse of ministerial patronage is the point at issue.

s international banks nurse bruises from recent upsets in lending money and trading in financial markets, few aspects of their business seem a safe bet any more. Yet banks remain excited about the profits to

be made by managing the cash of wealthy people invested offshore. International private banking used to be the preserve of long-es-tablished specialist banks in European centres such as Switzerland and Luxembourg. Customers who had inherited wealth wanted to protect it against inflation or high taxes in their own countries. It was deposited in secret accounts, and invested mainly in safe assets such

as European government bonds. But as the number of people around the world who might want a private bank has grown, the hig banks have muscled in. US banks have competed with old-established European privata hanks for a decade. They are now stepping up their investment, and being joined by large European and Asian banks as the potential of private banking

sinks in. The rationale for moving into private banking is simple: the number of millionaires in the world is growing fast. Bankers identify two groups of such people.

The first comprises members of the "baby boom" generation in the developed world who are coming into large sums of money built up in property and other assets by their parents. Rich people in Europe and the Middle East are estimated by Chase Manhattan, the US bank, to have some £1,000bn (\$1,580bn) in cash or liquid assets.

In the second are entrepreneurs in regions of rapid economic growth. Latin America and southeast Asia account for a further £1,000hn of private wealth, a figure that is growing fast. This group, in particular, means banks foresee decades of growth in private bank-ing, unlike other activities such as lending money.

"More millionaires were probably created in China last year than in the US and UK together," says Mr John Steffens, executiva vice-president of Merrill Lynch, the US investment bank. "The market is growing so rapidly you only need a small share to make it worthwhile," says Mr David Went, who heads Coutts & Co, National Westminster Bank's private bank.

Many entrepreneurs in emerging economies use private banks to invest some of their wealth abroad. Rather than keeping all their money tied up in the equity of their own businesses, risking local vola-tility such as the recent crisis in Mexico, they want to spread a share of their wealth in other markets. Such entrepreneurs also want the

trust and taxation advice services offered by private banks. By putting their wealth in an offshore trust, bey reduce the risk of it being confiscated by their domestic government. "People from the emerging markets want the protection of trusts," says Mr Went.

he rush of many of the world's hig banks into international private banking might be expected to rattle the Swiss, who have long dominated this lush terrain. Statistics are hard to come by in

this most discreet of businesses,

but Swiss banks collectively are believed to hold more than a third of the money that the world's rich keep outside their own countries. Private banking is a highly profitable business for the Swiss. Ask a director of any of the big three Swiss universal banks how important his private banking business is, and the answer is always the same. Commercial and investment banking may be interesting from time to time, but he would go to

his private banking busine For many other Swiss banks, private banking is their only business. and averything they do, right down to the carefully contrived blend of opulence and frugality to their reception rooms, is designed to appeal to the sensitive -

any lengths necessary to preserve

Contest to guard the nest-egg

As the number of very rich people rises worldwide, more banks are offering private banking services, says John Gapper

Apart from the underlying growth in the market, private bank ing has several attractions for international banks and broking houses:

It costs less than retail banking. Banks that have tried to expand branch networks outside their home countries have often found it hard to make adequate profits. It is aper to build a global private hank because it needs relatively few branches. Coutts has only 51 offices around the world, compared with NatWest's 2,431 UK and 330 US retail branches.

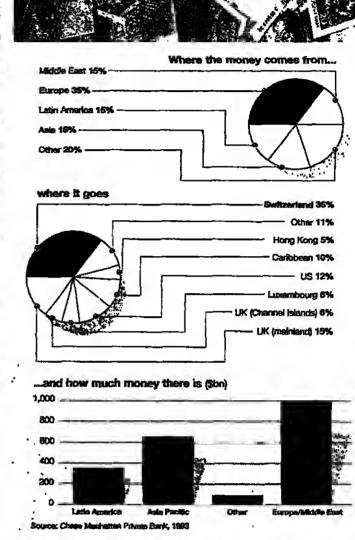
• Private banking requires less day-to-day capital than making loans, or underwriting securities Private banks act mainly as managers of individuals' funds, rather than risking their own money. This means that private banks do not have to set aside capital to cover the risk of bad loans, and so have a better chance of giving their shareholders a high return.

• Revenues from private banking tend to be more consistent than those from lending money or financial trading. Lending revenues are cyclical, while trading revenues are volatile. The fees for managing clients' investments do not fluctuate as much, although the sharp downturn in financial markets last year limited growth in fees.

Furthermore, the fees for managing individuals' assets are proportionately larger than for managing institutional funds such as pension funds. Bankers estimate average fees at about 1 per cent of assets under management - some four times the level of fee typically paid by a UK pension fund for basic management. This implies that the market for private banking is worth £20bn in revenues each year.

Those fees are not as exposed to competition as those in other forms of fund management. Institutions can shop around for a fund man-ager by looking at published performance data. Private banks do not publish equivalent figures and argue that they compete more on quality of personal service than fund management performance.

In addition, the gains that many private hanking customars make from taxation and trust advice can outweigh any loss of potential returns due to poor fund manage-



Offshore private banking: a haven for millionaires

where a client made \$9m from the restructuring of his estate to protect him from tax. "If we miss a [fund management performance] benchmark hy a point or two after doing from growing economies: unlike the that for him, he is not going to be traditional private banking customtoo worried," he says.

Despite these attractions, private have their assets protected against banking is becoming more complex. inflation, but seek higher returns. ment. One banker cites a case Customers are becoming harder to

please, and globalisation of financial markets makes it more costly. The most significant change is in the attitude of the newer clients ers, they are not satisfied just to "The new money, entrepreneurial

wealth, has a higher risk threshold," says Mr Conrad Eilts, head of private banking for Credit Suisse in London. This means having more skilled fund managers, and know-ledge of high-growth markets such as Latin America. These demands are raising private banking over-heads from formerly modest levels.

As the cost and complexity of private banking rise, the amount of funds that a bank must manage 10 allow fees to cover overheads also grows. One US banker estimates that a private bank must manage at least \$15bn in funds to make good returns. Big banks argue that these trends will force smaller banks out of the market, or into alliances.

Mr James Zeigon, Chase Manhattan's global head of private banking says smaller banks may either merge or sell out as they become more vulnerable. He argues private banks with good reputations in different countries may also seek alli ances, possibly through cross shareboldings, to protect themselves

now hetting they will be one of the will emerge from current growth. Yet even with the growth in millionaires, not all of them can succeed. One of the biggest barriers is a sbortage of trained private bankers. They not only have to invest money well, but cosset a group of highly demanding clients. One huge risk in private banking

is failing to hire the right people. says Mr Went of Coutts, who estimates he will have to recruit up to 150 private bankers a year for the next six years. Such levels of demands have led to escalating rewards. "You cannot pay someone £40,000 a year if he is going to stand alongside millionaires," says one

Competition presents another risk: that banks will not be selective about clients. Private banks are an obvious place for criminals to deposit cash, and a bank that was publicly implicated in laundering criminal funds could suffer enormous damage. "Being stuck with Noriega's [the former Panamanian dictator) money is the nightmare, says Mr Went.

But the higgest risk is that the firms now pouring capital into private banking will fail to master it. Many commercial banks are inexperienced in fund management, while investment banks are accustomed to selling standard products rather than giving tailored investment advice. "A broker is a broker, no matter what uniform he wears, says one banker.

For these reasons, private banking could yet prove a more risky investment than many of the world's large banks appear to think. Yet for the moment, they are determined to mount an assault on the old-established hanks of Switzerland and other financial centres. It will be the preferences of the world's growing club of millionaires that settles the outcome.

Ian Rodger on the Swiss response to new competition

A discreet welcome

However, Mr Raymond Baer, a director of Bank Julius Baer in Zurich with SFr43.6bn under manage ment at the end of 1994, says he sincerely welcomes the competition. It would force the bank to perform better and, as most new entrants set up bases in Switzerland, reinforce the status of the country as the world's leading pri-

vate banking centre. Mr Thierry Lombard, a managing partner of Lombard, Odier & Cie in Geneva which manages over SFr40bn, agrees with this view and wonders how long some of the new

competitors will survive.

But he acknowledges that the big US and European banks can marshal immense resources to set up their international private banking networks. "I have nut yet seen direct competition at the level of

that they are better than we are at marketing for new clients," he

Mr Baer says competition at some levels has become fierce. "Clieats come back to us showing written offers from competitors. We do not want to lose the business, but neither do we want to be seen as giving in too easily."

The tendency of newcomers to set up in Switzerland reassures the Swiss industry. Goldman Sachs of the US and the Hinduja group of India are two recent examples of international banks extending their private banking networks to the country. This suggests that the world's rich still place a premium on Swiss stability and safety, even if they want to deal with their own

Mr Baer points out that Switzer-

centre where bank secrecy laws are supported by criminal rather than civil sanctions. At the same time, the country has taken some of the toughest measures in the world to keep out drug and other criminal money. This contributes to a more respectable image than some other

tax hevens, says Mr Baer. Switzerland is also the only place with a large pool of staff at clerk level who are comfortable with handling transactions in several currencies and languages, says Mr Baer. "Yon bave that among high-level staff in every financial centre, but we heve it even at the low levels."

Mr Lombard says he would begin to worry if international banks no longer felt compelled to bring their private banking operations to Switzerland. "A mixed culture is good for Switzerland. The worst thing for us in the past was to be too protected, too regionalised. As we become less cartelised, we have a better chance to fight." The foreign banks also bring in

clients who, once exposed to Switzerland, might consider putting some of their money in a genuine Swiss bank, be adds.

Both men are sceptical about the staving power of many of the new entrants. Mr Lowbard recalled a similar rusb of US banks into international private banking in the early 1960s, but most of them -Bank of America, Chemical Bank, Manufacturers Hanover - snbsequently retreated.

Mr Baer says the problem for newcomers is that it takes a long time to build np a private banking business to a profitable level. And in the next few years, as a result of the increased competition, margins

everyone.
"If you do not have a seven-year horizon, don't even start," he

OBSERVER

Cheese crackers

■ Although Norway and Sweden won't see Mahmood Vaezi, Iran's deputy foreign minister, he'a getting a cup of tea today from Denmark's foreign minister, Mels Belveg Petersen

Petersen says he's happy to receive a minister from a regime which has put a death sentence on British author Salman Rushdie because, after all, the Ell wants a dialogue with Tehran.

Iranian-Danish relations have in any case endured thick and thin, surviving an episode under Petersen's predecessor, who entertained an Iranian delegation which subsequently turned out to include people sought by a number of European governments for

terrorist offences.

Today's chat might be related to nothing more than a variety of pungent cheese called feta. Traditionally, Iran was Denmark's largest (by volume) customer for feta; in some years Iran bought as much as DKribn of the stuff, 1994 told a different story - sales were down to DKr300m. If only British Stilton were as popular in Iran.

Lot of rot ■ Lot Polish Airlines likes to see itself as a thoroughly modern carrier, with a western-built aircraft fleet and a smart new airport in Warsaw. Pity, then, about some of the company it keeps. The January issue of Kaleidoscope, Lot's in-flight magazine, carried an advertisement

for a shop counter weighing machine, whose virtues were extolled by what purports to be a bearded, skull-capped Jew with a manic pleam in his eyes and bank notes clutched in each hand. Lot says it'a sorry: "We promise to exercise greater quality control

in the selection and acceptance of all future advertisements."

Copy cats I Li Shuxian, widow of China's last emperor, Henry Pu Yi, who died in 1964, has just won a decade-old

Pu Yi revise the autobiography.

copyright lawsuit involving his famous autobiography, From Emperor to Citizen. Belling's intermediate people's court has ruled that surviving relatives of Li Wenda, who helped

were not entitled to a share in the book's copyright or royalties. Let's bope we don't have to wait 10 years to see the end of another, slightly larger, copyright feud involving China - the current one like wildfire through the with the US.

Poached poacher Gongs' home The hardworking but scarcely More than Im medals from the second world war are locked up in undernaid officials of Brussels's

competition directorate will soon have a new boss, director-general Claus Ehlermann is vacating Brussels for Florence.

After five years as head of the Commission's DG4, the 64-year-old German - the youngest-ever bead of the Commission's legal services and for three years its chief spokesman - is going to be professor in European economic law at Florence's university.

The person most likely to replace him is the industry directorate's deputy director general, Alexander Schaub, who was also the EU's chief textile negotiator during the Uruguay round of the Gatt talks.

Number's up ■ The UK has been going through

some turmoil over its new national lottery, but nothing quite like what recently befell Naples. Superstitious Neapolitans flocked to bet on a "magic" number in

ltaly's state lottery following

rumours that a dead man had returned to life. The residents said that number 47, signifying death, and number 46, the man's age, were hot favourites after the (incorrect) rumour spread

Fuorigrotta district.

Russia's defence ministry awaiting collection by Soviet soldiers. "The cards with the names of the people who have not received them are stored in the ministry archives, the medals in their boxes are still in the personnel directorate safes." says

the daily newspaper Izvestia. Colonel General Valentin Yakovlev said: "We have done a lot to find their addresses, but I do not know how to find the remainder. And Yellow Pages won't belp much either.

Brunei burn-up

Nothing very much happens in Brunei, the small sultanate on the island of Borneo. With plentiful oil and gas reserves, the 300,000 people of Brunei enjoy one of the highest per capita incomes in the world. But grumhlings erupted at the

weekend as the government, run by the Sultan and his family, moved to impose new import duties - ranging from 20 to 200 per cent - on cars. A brief announcement on

state-controlled television was the first the public knew of the move: no reason was given.

Surely the Sultan, widely believed to be the world'a richest man, is not running short of cash?

Presumably his cars - at the latest count he had more than 50 Rolls Royces and Bentleys among the fleet in his garage - will not be subject to the new tax; unless it'a retrospectively imposed. Heaven

Financial Time

100 years ago Receivers appointed

The news will hardly come as a surprise that Receivers have been appointed for the Norfolk and Western Railroad. It has been an open secret for some time past that the finances of the Company were embarrassed, and, indeed, it came to some people as a surprise that the interest due last month was met. In Wall Street no effect was produced, and the general market, as will be seen from the cahle news, kept firm all day. There was not even an adverse effect on other Southern lines.

50 years ago Egypt Delta Land offer

Egyptian Delta Land and Investment Company has called an extraordinary meeting at Cairo for 26th February at 4pm to approve the issue of the remaining 166,750 shares at par to existing shareholders in the proportion of one new share to every two shares held. Authorised capital is £500,000. issued £333,250 in £1 shares. The company, of which Mr J.A. Crawford is chairman, owns land and properties in Egypt and supplies electric light and water



FINANCIAL TIMES

Tuesday February 7 1995



Opposition anger at 'excessive corporate greed'

UK power chiefs 'sitting on options worth £23m'

Directors and senior executives of Nstional Power and PowerGen are sitting on profits from share options worth £23m (\$36m), the British opposition Labour party claimed yesterday.

The calculation includes share options which the directors and senior executives have been granted but have not yet exercised as well as share options they have already cashed in.

Mr Gordon Brown, the opposi-tion chancellor, who released the calulations, hit out at the 'paper' profits, labelling them "excessive corporate greed" and calling for the government to "crack down

On the day the government announced plans to sell off its remaining 40 per cent shareholdings in National Power and PowerGen, Mr Brown said the government should have used its stakes to curb the excesses. But National Power said last

night. There is nothing new in these claims. Labour's estimates 2003. However, the calculations

assume the company will continue to be very succ The disclosures are the latest development in a bitter row over the high levels of pay in British boardrooms, especially in the

newly-privatised utilities. Six National Power directors have made cash profits of £1.3m from exercising share options and selling the shares, according to Mr Brown. On top of this they have share options which would bring them a profit of £3.3m if exercised and sold today. At PowerGen, six directors

have already made share-option profits of £3.38m and, together with other senior executives, are sitting on 'paper' profits of approximately £15m. The figures were calculated

from details contained in each companies' annual report and filings made to the stock exchange. The share price used for the calculations was the closing price on January 26.

Some of the share options are not exercisable until the year predict that Mr Ed Wallis, chief executive of PowerGen, and Mr John Baker, chief executive of National Power, will both earn approximately £1m each this year, through a combination of basic salary and the exercise

Mr Brown also pointed to the large salary rises executives of both PowerGen and National Power have received since priva-tisation. For example, Mr Wallis's basic salary when PowerGen was privatised in 1991 was £75,690. On top of the £300,000 he earns now, Mr Wallis is eligible for an annual bonus of up to 35 per cent of salary, a long-term bonus scheme and an annual grant of share options.

He has recently been given 53,500 new share options, not included in yesterday's figures, which can be exercised in five years' time if certain performance criteria are met.

Joe Rogaly, Page 16 Editorial Comment, Page 17

Telekom board member quits in battle for control

By Michael Lindemann in Bonn

The battle for political control over liberalisation of the German telecommunications industry intensified yesterday with the resignation of a supervisory board member of Deutsche Telekom, the state monopoly.

Mr Gerhard Pfeffermann, a close aide to Mr Wolfgang Bötsch, the post and telecommunications minister, was forced to quit the board that oversees the the company's management after protests from German industry accusing him of a conflict of

Mr Pfeffermann, who joined the board only s month ago, remained secretary in the telecommunications ministry and one of Mr Bötsch's deputies. Several leading German companies hoping to enter telecommunications argued that he could not simultaneously work on the liberalisation of the industry in the ministry and represent Deutsche

Their objections were endorsed by a host of politicians after Mr

kom's chief executive, resigned in early December, in part because of Mr Pfeffermann's appointment. Mr Ricke's departure was considered a serious setback to plans to privatise Deut-

sche Telekom.

Deutsche Telekom itself, which became a joint stock company on January 1 and has been making efforts to repair its image as s government department run by civil servants, had complained regularly that there were too many politicians on the new supervisory board.

"I think people finally realised that Pfeffermann's position was untenable," one Bonn official said. "I think above all international analysts found it difficult to understand how he IPfeffermann | could be regulator and regulated at the same time." Mr Tyll Necker, the respected former president of the federa-

tion of German industry who earlier declined to join Telekom's supervisory board in protest at Mr Pfeffermann's appointment, said he was pleased with yesterday's move. "We welcome the

Mr Pfeffermann's resignation is likely to encourage the half-dozen companies which are hoping to compete with Deutsche Telekom after the monopolies fall on January 1 1998. Having forced Mr Bötsch's hand once, they will

hope they can do it again. Although the post minister has said he will not allow competition in voice telephone services before 1998, companies such as Veba, Vlag and Thyssen have been pushing for earlier liberalis-

Now they have unseated Mr Pfeffermann they will be hoping to build up enough pressure to force Mr Bötsch to allow liberalisation before January 1 1998, so that German operators can develop the expertise needed to move quickly into liberalised markets after 1998.

The 20-member supervisory board is made up partly of leading businessmen and consultants and partly of employees' repre-sentatives. A replacement for Mr Pfeffermann has not yet been announced, Deutsche Telekom

Business guru eyes political office in Tokyo

Mr Kenichi Ohmae, Japan's best-known management guru, has declared himself a candidate for the governorship of Tokyo, one of Japan's most powerful political jobs

Mr Ohmae, author of The Borderless World and former chairman of the Tokyo office of McKinsey, the US management consultancy, is the first to announce his candidature for the April 9 election.

Regardless of his international

profile, Mr Ohmae has a scant chance of winning against the likely establishment choice, Mr Nobno Ishihara, deputy chief cabinet secretary. The ruling Liberal Democratic party is seeking cross-party support for the non-partisan Mr Ishihara, as a reward for his 15 years as the top bureaucrat in charge of the prime minister's office.

Mr Ohmae retired as McKinsey chairman last July to pursue a career in politics. He leads a small pressure group called Reform of Heisei, whose aim is to decentralise government. But it remains unclear whether his grand international vision of an "interlinked economy" appeals

to Japanese voters. In The Borderless World, one of more than 30 Ohmae books, he conceded that vision alone is not enough: "For the most part, we know that most real, lasting improvements come from the daily hard slog to do things better, to improve the accuracy of this system, of that product."

Also likely to compete in the Tokyo election is Mr Tetsundo Iwakuni, a former New York investment banker, whose record as mayor of Izumo, a small town on the south-west coast, has earned support from some members of the main opposition group, the New Frontier party. Tokyo, population 11.9m, is the largest and most prized pre-fecture, with an annual Y6,726bn

(\$67bn) budget. The constituency falls vacant with the retirement of the incombent, Mr Shunichi Suzuki, a bland but influential 84-yearold independent. He has served four terms - 16 years - despite an attempt by the LDP to oust him at the last Tokyo election in 1991. Local elections are also being held in most of the other

LEX COLUMN

Hong Kong's false dawn

Trade wars and interest rate rises are rarely the stuff of bull markets. But the Hong Kong stock market has risen 13 per cent in the last seven trading days in the lace of such potentially jarring news. This reflects Hong Kong's position as a leveraged bet on US interest rates due to its US dollar currency peg and sensitivity to prop-erty profits. The latest rate rise and unemployment statistics from the US have raised confidence that the economic cycle is turning; hence the transformation in Hong Kong stock narket sentiment.

In the circumstances, it is not surprising that the currentUS/China trade dispute has been ignored. The proposed import hit list against China would knock less than 0.1 per cent off Hong Kong's economic growth rate. Nonetheless, the worst may not be over for investors. First, it is too early to suggest that US rates are about to plateau. Second, Hong Kong has individual problems. It is highly sensitive to a further deterioration in US/China trade negotiations, and Republican politicians are already calling for tougher action. Falling property prices are feeding through into consumer spending and could drag down corporate earnings growth over the next two years. Deng Xiaoping's health is faltering, creating political uncer-tainty in both China and its future sovereign territory. With Mexico's financial rescue package secured, investor attention is returning to the more robust "emerging" markets of Asia, but rebounding confidence in Hong Kong appears premature.

Base metals

Reality is finally reasserting itself in the base metals markets. Copper and aluminium prices nearly doubled last year in a bull run primarily driven by speculative commodity and hedge funds. By last month the market was in trouble, but yesterday the bubble burst: among those suffering the big-gest falls were lead, down 9.7 per cent, and nickel, which fell 8.3 per cent.

Base metal prices were unsustainable because of simple supply and demand. Last year's price rises were partly justified by rapid US demand growth for base metals: requirements for aluminium increased 16 per cent and those for copper 12 per cent. But such growth rates were clearly unsustainable because much of the demand was generated by restocking. If US economic growth slows, as suggested by Friday's employment figures, north

FT-SE Eurotrack 200: FT-A Hong Kong Index relative to the FT-A Woold Index (\$ terms)

American demand could actually fall this year. On the supply side, mining companies are investing to increase extraction of nearly all base metals, with first deliveries from the new production being made later this year. The question remains whether this is a fundamental derating. The odds are that prices will continue to fall sharply. The metals markets are illiq-uid. Hedge fund buying accentuated last year's extraordinary rise; their exit will accentuate the downside. Moreover, most consumers have

already acquired adequate stocks and

therefore have little incentive to buy

when prices are falling. Any rallies are

likely to be difficult to sustain.

Civil aviation

Aerospace is justly seen as a "late cycle" industry. But just how late is only now becoming clear. Following gloomy news from McDonnell Douglas and Boeing in recent days, it looks as though the industry will bottom out only this year. Production of larger jets by the big three - McDonnell Douglas, Boeing and Airbus - is set to shimp to 461 in 1995, down from s peak of 834 in 1991, before recovering slowly through the remainder of the decade. The next peak is expected in 1998-1999, by which time the rest of the world economy is likely to be mired in another recession.

The paradox is that, the malaise afflicting the aerospace manufacturers has intensified just as most US and European airlines are returning to profit. As robust figures from British Airways highlighted yesterday, the airlines are benefiting from economic recovery which has led to an increase

in traffic volume. In time, the recovery in airlines' profits will feed through to increased orders for olecraft, Now. however, the airlines priority to rebuild their balance sheets has resulted in a high level of cancellations. The growing success of Airbus has added to the pressure on the US repeutenc to

greenary unit

manufacturers. At some point in the next few years, it will be worth buying pure aerospace stocks in anticipation of the sharp earnings upturn which will belatedly follow a surge in orders. For now, they are best avoided: the recovery is simply too far away. Investors should focus their attentions on those airlines which have most to gain from the upturn in traffic and where there is still scope for rationalisation.

UK generators

National Power and PowerGen are playing "chicken" with their regula-tor. Yesterday's prospectus for the government's share sale makes clear that neither company is likely to meet undertakings agreed with Mr Stephen Littlechild last year on prices and power station disposals. That means that either one side will back down or the issue will be referred to the Monopolies and Mergers Commission an outcome neither the regulator nor the companies would relish. Mr Littlechild may yet give ground. But investors will have to endure some nail-biting in the meantime.
If regulatory risks dog the genera-

tors, the prospectus underlines their rosy medium-term dividend prospects. National Power's pay-out is forecast to rise 24 per cent this financial year, in part because it plans to buy back 6.5 to 8 per cent of its shares in the forthcoming sale - a move which will enhance earnings per share. Power-Gen's dividend will increase a relatively modest 19 per cent but, since thet does not take account of similar buy-back plans, it should make up the running next year.

Given low gearing and strong cash flow, there is scope for further financial engineering. Both companies plan to reduce dividend cover. Meanwhile, PowerGen dangled the prospect of more buy-backs, which would allow dividends to be further increased. Such prospects explain why the stocks yield less than the market. The companies' more prosaic earnings prospects are rightly reflected in their sub-market price/earnings ratios.

Additional Lex comment, Page 26

Commodity prices plunge on rush of profit-taking

FT WEATHER GUIDE

Continued from Page 1

to cool down. Strong demand for metals would then take prices steadily higher again, they said. Last week's rise in US unemployment also cast its spell over global equity and bond markets. Hong Kong shares had their best day for eight months, follow-

Europe today

cloudy and wet.

Five-day forecast

ending a long drought.

Cold, unstable air moving into the northern

British Isles and southern Scandinavia will

promote showers, mainly of snow. The southern UK and western Europe will have mild, moist air. Rain is expected on the boundary between these two air masse and will affect Ireland, the southern UK, Holland, Germany and Poland. Central Europe. France and Spain will be partly cloudy with sunny spells. Italy and Greece will be sunny. Crete is likely to have

blustery northerly winds but will be mainly sunny. Cyprus and southern Turkey will be

Rather cold air and clear skies will move into the British Isles and over the North Sea before reaching central Europe. These regions will be partly cloudy with occasional rain or snow showers. Disturbances will move across Spain and into the Mediterranean bringing rain to Portgual, Spain, Italy and the Balkans. Southern Spain will have significant rain,

5.6 per cent to 7,897.8 on evidence that US economic growth was slowing and thet upward pressure on interest rates would therefore be weaker.

1010

aftermath of Friday's jobs fig-

The Hang Seng index climbed

man stock markets both recorded rises of more than 1.5 per cent on the day, while European bond markets also opened strongly. But the FT-SE 100 index of Lon-

don stocks ended only 2.3 points higher at 3,062.0. Mr Peter Lyon, global strate-

ing the sharp rises in US share and bond prices in the immediate to Europe. The broad Ger-ker, said the UK had under-performed because the government's uncertain future was undermining sterling.

European bond markets retreated during the afternoon when the US treasury and stock markets opened weakly, failing to push Friday's rally further.

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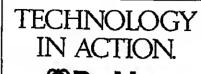
Astituto per la Ricostruzione Industriale SpA (IRI) on the privatisality of ...



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FINANCIAL TIMES

COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1995

Tuesday February 7 1995



BRITAIN'S INTERNATIONAL TRUCK MANUFACTURER

IN BRIEF

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Rhône-Poulenc to buy veterinary unit

Sanofi, the pharmaceuticals and beauty products arm of Elf Aquitaine, the French oil group, said it had agreed to sell its veterinary products businesses in Asia and North America to Rhône-Poulenc, the chemicals and drugs group. Page 20

Kellogg faces charge after job cuts Kellogg, the US breakfast cereal company, yester day said it planned to increase productivity by cutting between 300 and 350 jobs in the US and over-seas. resulting in a one-time pre-tax charge of \$30m to \$40m in the second or third quarter. Page 22

Seita shares go on sale today Shares in Seita, the French state tobacco company, will go on sale today to the public at a price of FFr129 a share, the French finance ministry announced last night. Page 20

Record income for US Healthcare US Healthcare, one of the biggest operators of health maintenance organisations in the US, reported record net income of \$891m for 1994, up 30 per cent from the previous year. Page 22

Raily in Hong Kong The Hang Seng index in Hong Kong rose 418.88 to 7.897.80, the market's strongest one-day rally since



Publishers are wincing at the sharp rise in newsprint costs, which make up 20-25 per cent of a newspaper's total cost. Page 24

Rubber bounces ahead Asia's stock markets are in the doldrums but the region's commodity traders have rarely been busier. with rubber emerging as the sector's star per-

Capital Cities/ABC carnings up 46% Capital Cities/ABC, the US media group, underlined the recent revival of the US TV networks with a 46

Generators piedge hefty dividends National Power and PowerGen are promising strong dividend increases ahead of the sale of the UK government's 40 per cent stake in each company this month. Page 26

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HJ Heinz

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19 Volvo

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20 Yamaha Motor

Chief price	changes	yesterday
PRANKFURT (DBI)	PARI	S (FFI)

PRANKFUR? Ricos	(DM)		PARIS (FTI)			
Alteria.	650 +	11.3	AGF	188.4	٠	7.4
Bur Hypo Brik	367.5 +		EBF	956	+	16
Delimier Briz	723 +		Ericlania Ci	604	٠	49
pheole.	582 +		Peopol	713	÷	24
Magaischit	137.6 +		Talltinger	2200	+	100
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DIAG COL KEZ	1030 -	70	Couply signs	327. §	-	8.4
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Riber			Ricos			
Cellotto	54% +	16	Handa	630	+	30
diction Nat	101% +	_	Hip Solcan	462	+	37
Prost Gemble	68% +		Parita Ocean	937	+	32
Dunitor Calls	34 +		Palle			
Augus van Faffis		,,	Annihi Optel	446	-	18
triv Dvietnem	25%	150	Kandunko	1680	-	
tainz HJ	3914		Kuthoka Curp	670	-	18
,OHDON (Pa		•	HONG KOK	(HECS)		
COMPANY (PT			Rises			
Corn Creat	91 +	11	Gunco Gro	30.8	+	21
	165 +		Hinderson Lind	37.0	+	25
Andreis Sylves	496 +		HK Macau	6.25	+	1.55
intigh Tech	207 +		Sup Hung Kal	47.0	+	3.7
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Padis		-	Palite			
AGA Salety	10 -	PA.	Charping Their	78.5	-	6.5
Cantasa Foods	109: -		Cremodiano	175	-	17
China before	104	44	The liter	0	-	8

Paris launches Usinor Sacilor sale

By John Ridding in Paris

to advise on the sale.
"From Tuesday, the countdown
to privatisation begins," Mr Edmond Alphandéry, economy minister, said. Officials declined

upturn and the impact of costlor will be demonstrated tomorrow when the company is due to announce a return to profit for 1994 after a loss of FFr5.7bn in 1993. The rebound in results follows an extensive restructuring programme, which has made the company one of Europe's most

He cites the company's flat steel products and stainless steel businesses as areas of strength, noting that Usinor is the biggest flat neered goods, which have suf-fered from overcapacity and competition from imports. The selection of adviser banks is the first concrete step towards

privatisation for the 21 companies slated for sale, or already sold, by the centre-right govern-ment of Mr Edouard Balladur. Yesterday's announcement dem-onstrated the government's desire to maintain momentum in its privatisation programme and to achieve its targeted receipts of FFr55bn from the sale of public

Industry observers said the size

after the presidential poll to implement the sale. They played down the possibility that the gov-ernment could retain a majority stakes to industry partners, is expected to be completed within a few months. Other candidates for sale in stake in the steel maker, as it did in Rensult, the motor group, 1995 include Assurances Génér-

which was floated last autumn The French government holds 80 per cent of the shares in Usinor Sacilor, with the balance held by Crédit Lyonnais, the loss-making state-owned bank. Crédit Lyonnais is expected to reduce its stake at the time of flotation as part of its strategy of disposing of assets to strengthen its bal-

France is in the process of pri-

TI-Acer to invest in memory chip plant

By Laura Tyson in Talpei, Alan Cane in London and Louis

Texas Instruments-Acer, 8 laiwanese semiconductor mannfacturer is planning to invest \$1bn to build a memory chip plant using the most advanced

technology available.
The company already produces some 17,000 six incb silicon wafers, capable of being pro-cessed into 4-megabit D-Ram memory chips, every month at its plant in Taiwan.

The new plant is expected to produce 25,000 to 30,000 wafers a month for processing into 16-megabit D-Rams making it one

of the largest in the world.

The plan still bas to be approved by the board of directors later this month. If it is, production will begin in the second quarter of 1997. Ms Lora Ho, the company's financial controller, said the move was designed to take advantage of the strong demand for D-Rams and to achieve economies of scale in production. D.Ram chips are basic elements in any plece of intelligent electronic equipment ranging from computers to

The world market for D-Rams this year is valued at \$25bn-\$28bn by Dataquest, the marketing consultancy, and is growing by about 60 per cent annually, with individual 16-megabit D-Rams selling for \$50-\$55.

After experience bas been gained in the manufacture of 16megabit chips, the intention is to move to 64-megabit chips. The new plants will use eight-inch diameter wafers.

TI-Acer is owned 56 per cent by Acer of Taiwan, 26 per cent by T1, the US electronics giant, 16 per cent by China Development Corporation, a quasiinvestment bank run by Taiwan's ruling party and 2 per cent by Chiao Tung Bank, a gov-ernment development bank. Funds for the new plant will be raised from the company's share-bolders and from banks. The TI-Acer joint venture between TI

and Acer, was formed in 1989. The joint venture's 1994 sales are estimated to be about \$350m. according to Integrated Circuit Engineering, a US semiconductor market research firm. However, all of the chips produced by TI-Acer, D-Rams and logic devices, go to the parent companies.

TI is the sixth largest semiconductor manufacturer in the world with estimated chip sales of \$5.3bn in 1994.

the upturn in the steel industry rolled steel supplier to the Euro- of the issue and political sensitiv- to implement the sale. rolled steel supplier to the Euro- ities arising from possible union vatising Seita, the tobacco group, which is valued at between But problems remain in the FFr6bn and FFr7bn. The privati-The benefits of the industry opposition made it likely that the long products activities, includgovernment would wait until sation of Groupe Bull, which is cutting measures at Usinor Saciing wires and steel for engibeing implemented by the sale of

The French government yesterday launched the privatisation process for Usinor Sacilor, Europe's largest steel producer, by inviting applications for banks

minister, said. Officials declined to comment on the timing of the sale, but the operation seems sat for the second half of this year.

Mr Francis Mer, chairman of the steel group, has been pushing for privatisation. He said at the and of last month that the commend of last month that the comend of last month that the company should be valued in excess of FFr20bn (\$3.8bn) and that the

government should capitalise on

P&G said it was seeking \$85m

to cover losses it sustained on a

D-Mark swap contract, in addi-tion to the \$130m it had already

claimed over a US interest rate swap. It is also seeking punitive

The company first disclosed

the losses on the D-Mark swap last April, at the same time as

the other transaction. Explain-

ing the delay, Mr Edwin Artst, P&G's chairman and chief execu-

tive, said: "We're taking action

damages in both cases.

efficient steel producers. "They have made a lot of prog-ress," says Mr Martin Doble, director of Beddows & Co, a consultancy for the steel industry.

Seita goes on sale. Page 20 Swedish carmaker to break up consumer products arm, writes **Hugh Carnegy**

P&G sues Bidders line up **Bankers** Trust over for sale of Volvo's more swaps **BCP** division By Richard Waters in New York

Procter & Gamble filed a fresh legal action against Bankers The biggest corporate sell-off in Trust to cover a second deriva-tives contract, intensifying the Sweden for years - and poten-tially one of Europe's largest in hattle over losses it sustained 1995 - should begin to crystallise when bond markets tumbled a in the next few weeks as Volvo, the country's top manufacturer, moves to shed its wholly-owned year ago. The US consumer prodnets company also listed securities law charges against the subsidiary BCP to sharpen its bank for the first time, extendfocus on its core car and truck ing the scope of the action which it had initiated last October. BCP (Branded Consumer Prod-

ucts) contains a spread of businesses and brand-names covering tobacco, beer, soft drinks and food with annual turnover of more than SKr22bn (\$3km) and extremely attractive market posttions in the Nordic region. Its sale is expected to raise

around SKr25bn - roughly equivalent to the total of Swedish privatisation issues over the past three years. It will strengthen Volvo's coffers for the challenge Procordia. Procordia was itself of securing its future as an Volvo would

now because conversations taped by Bankers Trust between [the independent bankl and P&G were recently vehicle maker made available to us and have following the confirmed what our own internal investigation had concluded." Bankers Trust had been expec-1993 collapse of its plan to merge with Rented to face additional legal chal-

lenges over disputed derivatives Volvo is being coy about exactly when -and to which since it announced a decision last month to place \$423m of contracts on to a cash basis. This is equivalent to treating them as buyers - BCP doubtful loans, and indicated a will be sold. But it has eschewed a flotation and signalled that its concern that customers would

preferred option is to sell off sep-erately the two main components refuse or otherwise fail to make payments due to the bank.
It said yesterday: Bankers
Trust has valid legal claims of BCP; Swedish Match, a world leader in matches and lighters; the dominant Swedish cigarette under contracts with P&G and expects to receive payment in full under those contracts." supplier and maker of Snus. a wet snuff popular among Swed-ish men; and a beverages and In an amended suit filed yesterday in Ohio, P&G outlined a food division which makes prodclaim over the D-Mark transac-tion which resembles its earlier case over the dollar swap. It ucts including Pripps Beer, Ram-losa mineral water and Abba Seafood. An investment portfolio claimed that the bank had failed division is being alowly to disclose enough information to enable it to value the contract,

Two Nordic companies - Orkia, the Norwegian conglomerate, and Carlsberg, the Danish brewer have made no secret of their interest in the sale. Other big international groups such as Nestle, the Swiss food company, Philip Morris of the US and Britain's BAT Industries, have either aignalied their interest publicly or been the subject of speculation. Several financial investment groups are also understood to be in close contact with Volvo.

Volvo officials anticipate that the disposal of Swedish Match at the tough anti-fraud provisions of this branch of US law - some thing that derivatives professionals have consistently contested.

ish Match in early March. The sale of the food and drink division may take longer, but should also be completed this year. This would clear the way for the sale next year of Volvo's other main non-core asset, its 27.5 per cent stake in Pharmacia, one of the world's top 20 pharmaceutical groups, which it is bound under agreement with the Swedish government not to dis-

pose of before January 1996. The break-up and sale of BCP will mark the latest in a bewil-dering history of takeover, reor-ganisation and corporate shuffling that has affected its constituent parts over the past decade. BCP only became whollyowned by Volvo last year after its present form emerged following the break-up of a group called

put together by Volvo and the state under their almost certainly joint control in prefer a Nordic included Pharmacia. solution' to keep Under a 1993 deal between the

Procordia under government and Mr Pehr Gyllenregional control bammar. Volchairman, Volvo

ultimately acquired all of BCP and was to be the principal shareholder in Pharmacia.

These were to be new pillars under a diversified Volvo once it had merged its vehicle operations with Renault. But when Volvo scrapped the Renault deal and Mr Gyllenhammar quit the company, that strategy was torn up. BCP and Pharmacia suddenly became an expensive surplus to Volvo's requirements. In turnover terms, BCP's food and drinks division (renamed Procordia last month) is the biggest, reaching sales of SKr7.4bn in the first nine months of last year while Swedish Match

schieved SKr5.8bn. Its Swedish brewer Pripos has e 50 per cent share of the domestic beer, soft drinks and table water market. Procordia also has brewing interests in Norway. St Petersburg and the Baltic countries. It is the market leader in Sweden in potato products, it has the Felix ketchup brand and Abba Seafoods, one of the bestknown brands for the regionally popular pickled herring. "Whoever buys Procordia will

have a long-term impact in the Nordic market," said Mr Peter Lawrence, head of Scandinavian research at Kleinwort Benson in London. "It will put any buyer -

Popochtren egsuppe Tomatsup Turnover (SKr million) 7,427 6,108 Operating profit/loss (SIG will'or) 1,139 , 1,103 Productie Actions age A Section of the sect Proceedin Impair

either e newcomer or an estab- for Procordia to keep it under lished player - in a very strong position in the region." Hence the interest of Orkla and Carlsberg. "For them, acquiring Procordia is both a good defensive and offen-sive move," Mr Lawrence said. The problem is the cost. One

scenario being canvassed is that the two companies would cooperate to allow Carlsberg to take the drinks interests and Orkla the food operations.

Volvo would almost certainly prefer such a "Nordic solution"

regional control. "But we can't consider only that factor. We have to get the best price," said one executive. Insiders suggest meanwhile thet Swedish Match, which in

ales de France, the insurance group which has seen its privati-sation postponed because of the

sharp decline in insurers' shares

Péchiney, the aluminium and

packaging group is another possi-ble candidate, while the govern-

ment may reduce its holding in

Renault to a minority through a

over the past year.

recent years has been much more profitable than Procordia, will be sold to financial investors rather than to one of the industry's big names which already have strong positions in the local market and would almost certainly face antimonopoly obstacles.



CEO Pierre Bauer and twenty managers acquired their company. Entrelec, the leading French producer of industrial electrical connectors, in a transaction led by CVC.

& CVC offered us a much better deal. And now they're already helping us to identify, analyse and negotiate possible acquisitions. 9

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Heinz agrees to buy Quaker's US pet food business for \$725m

By Richard Tomkins in New York

and that the swap "was actually in a loss position from its first

day - a fact that was never revealed to P&G".

According to P&G, both con-

tracts were said by Bankers Trust to contain "lock-in" provi-sions that would allow the com-

pany to fix its borrowing costs at

a low rate, but neither achieved the promises the bank had made.

By extending additional securi-

ties law charges against the bank, P&G also raised the spec-

tre that some derivative con-

tracts could be brought under

H.J. Heinz, the US food group, is to become one of the biggest pet food companies in the US with the surprise announcement that it has agreed to buy the North American pet food business of Quaker Oats, the US breakfast cereal and soft drinks group, for

The deal is the latest merger in the world pet food industry. It comes three days after Quaker Cats said it had agreed to sell its European pet food business to Britain's Delgety for \$700m.

Quaker Oats put its European pet food business on the auction block last November after it agreed to buy Snapple Beverage soft drinks group for \$1.7bn in cash, but it had not indicated any

the disposal was a logical step in the realignment of its business, turning it into a company focused on cereal products and "good-for-yon" beverages. Analysts noted that the disposal would also help restore strength to the company's balance sheet.

Heinz already has pet food businesses in the US, Europe and New Zealand, but has been a relatively small player. With this acquisition, it will become the third biggest pet food company in the US, close behind Raiston Purina in first place and Nestlé in

Last month the number of big companies in the US pet food industry was reduced from six to five when Britain's Grand Metropolitan completed the sale of Alpo PetFoods to Nestlé for

Heinz's purchase of the Quaker Oats business will reduce the field to four. Raiston Purina with sales of about \$1.4hm, Nestlé with sales of about \$1.3bn, Heinz with sales of about \$1.1bn, and Mars with sales of about \$500m. Mr Tony O'Reilly, Heinz's

chairman and chief executive, said Heinz's existing strength in the US pet foods industry was in canned cat food, while that of Quaker Oats was in dry dog The combination of the two

would bring "a perfect comple-ment and balance", he said. With annual sales of \$540m, the acquisition will double Heinz's sales in the fast-growing US pet food business to an expected \$1.1bn in the year beginning in

May. Heinz believes it will add to earnings per share immediately.

INTERNATIONAL COMPANIES AND FINANCE

Rhône-Poulenc to acquire Sanofi veterinary division

By John Ridding In Paris

Sanofi, the pharmaceuticals and beauty products arm of Elf Aquitaine, the French oil group, yesterday said it had agreed to sell its veterinary products businesses in Asia and North America to Rhone-Poulenc, the chemicals and

The deal reflects Sanofi's policy of disposing of its bioactivities division, a strategic decision aimed at raising funds for last year's purchase of Sterling Winthrop from Kodak of the US. The acquisition of the prescription drugs business

Sanofi declined to disclose the amount of its latest transaction, but said the businesses of PFr580m (\$109.4m) and

expected to be signed within the next few weeks and the deal is subject to regulatory approval

Conclusion of the deal will still leave Sanofi looking for a buyer for its veterinary hustnesses in Europe, Africa and the Middle East. These activities have combined total sales of about FFr900m.

Rhone-Poulenc, which will integrate the husinesses into its Rhône Mérieux division, said the acquisition would strengthen its position in the US and Asian markets. It said the deal would allow it to complete its product range and hring it production facilities in the US for specialty veterinary pharmaceuticals.

According to Rhone-Poulenc, the acquisition will lift Rhône later this week.

tion in the international market for veterinary pharmaceuticals and vaccinations, from number eight. Last year, Rhone Meriaux had sales of about FFrs.6bn of which twothirds came from outside

France. The purchase is in lina with Rhône-Poulenc's atrategy of strengthening its core businesses while divasting noncore assets.

Since its privatisation in late 1993, the company has stepped up a programme of restructuring, including several large disposals over the paat few months. Capital gains on some of the sales are expected to contribute to an increase in profits when the company announces results for 1994

BK Vision asset value tumbles

By lan Rodger in Zurich

BK Vision, the investment company that is challenging the governance of Union Bank of Switzerland, has reported a 22.6 per cent slide in its net asset value per share in 1994 to SFr1,278 per bearer share.

The decline was due mainly to the sharp fall in the value of UBS shares, especially since the outbreak of hostilities last September between BK Vision and UBS directors over the directors' proposal to convert the registered shares into

At the year-end, the market value of BK's holdings in UBS was down 9 per cent to SFr1.6bn (81.2bn) in spite of additional share purchases. UBS securities accounted for 71 per cent of the value of its portfolio, with those of Zurich Insurance making up the rest. Mr Martin Ebner, chairman, said BK Vision still believed "pressure from shareholders and the ruling of the courts will in the foreseeable future

BK Vision has launched a about SFr450m, testing investor confidence after the bearer shares have tumbled 43 per cent since their peak a year

Mr Ebner said he reckoned the Swiss market had hit rock bottom and now was a good time to lift the fund's invest-

ment in financial shares. He said BK Vision was watching "with keen interest" the increasing attention being paid by banks outside of Switzerland to higher return on

German banks change accounting

bring about constructive solu-

tions and pave the way for

UBS to exploit its dormant

profit potential."

By Andrew Fisher in Frankfurt dures for banks' six-monthly

Germany's big banks are taking steps to make their banking results - partial operaccounts less opaque and more ating profits - will disappear. accounts less opagoe and more comprehensive, with the German banking association yesterday announcing agreement on new standards to bring interim results in line with international practice.

Instead of 10-month figures. banks will announce figures for nine months, as in other countries. The association's accounting committee agreed on the new accounting proceand nine-monthly figures. That old stalwart of German

This, the association said, was not common in other countries' accounts; the partial figure excludes profits on own-account trading which have been stated separately. Now, there will be one overall operating profits figure.

Also, interim results will be presented in a way that highlights group activities rather than those of the parent bank.

This will maka comparisons easier, even if some bank subsidiarles operate as aeparate legal entities.

in future, banks will compare interim results with the same calendar period of the previous year and not with a proportion of the past year's full results. Banks have provided half-yearly results com-pared with six-twelfths of the previous year or 10-monthly results comparad with 10twelfths. They have recently

go on sale today at FFr129 each

By David Buchan in Paris

Shares in Seita, the French state tobacco company, will go on sale today to the public at a price of FF129 a share, the French finance ministry announced last night.

The price is near the middle of the government's guideline range of FFr126-FFr134, which according to an analysis hy the Banque du Louvre should produce a price/earnings ratio of around nine. Seita recorded profits of FFr665m (\$125m) last year and is forecasting an increase this year.

The government is putting 26.6m shares on the market after retaining a 10 per cent stake, reserving 25 per cent of shares for a core of long-term stable shareholders and some further shares for employees and tobacconist owners.

The core of stable shareholders would each pay FFr135.66 a share, or 2 per cent more than the FFr133 charged to institutional investors. The core comprises Crédit

Commercial de France, with 5 cent; Société Générale, 5 per cent; Gronpe Jacques Lejeune, 4 per cent; Française des Jeux, the French lottery, 2.5 per cent; Barry SA, 1.5 per cent; Compagnie des Naviga-tions Mixtes, 1.5 per cent; Compagnie Saint Gabriel (Groupe Bolloré), 1.5 per cent; Prestinval (Gronpe Edward Stern), 1.5 per cent; Société BIC, 15 per cent; and Société Suisse d'Assurances Générales pour La Vie Humaine, with 1

Half of the issue will be sold at the FFr129 price to the pub-lic starting today and ending at the close of business on February 14. The other 13.3m shares have been marketed to French and foreign institutional investors, in a bookbuilding exercise which Mr Edmond Alphandéry, finance minister, said last night could be closed at any moment from the evening of February 7".

The government has reserved the right to claw back 20 per cent of the offering to institutions if individ-ual demand for Seita shares proves very strong.

Seita shares BT Industries draws money men

Flotation of the lift-truck group is in the offing, writes Andrew Baxter

months after a complex deal brought new majority owners to the Swedish company, one of the world's top 10 lift-truck

The Stockholm money men are attracted by the incrative prospect of a public flotation for BT, Europe's third largest producer of warehouse lift rucks, after Germany's Jungheinrich and Linde.
"It's a question of don't call.

ns, we'll call you," says Dr Robert Andreen, managing director of Nordic Capital, the buy-out fund that has bought 52 per cent of Mjölby-based BT. But it looks as if the bankers will not have to wait too long. Completion of the deal in November followed the deci-

sion in 1993 by KF, the Swedish co-operative movement, to sell its industrial activities, grouped in a holding company called Nordico, and free capital for its core retailing business. Two Nordico units were sold in 1993, and there was considerable interest in the remain-

ing businesses, says Dr

Andreen. But quitting BT would have been a difficult decision for KF, which had founded the lift-truck company in 1946 as a spin-off from its warehouse handling activities. A deal was struck which left KF bolding 46 per cent, through KF invest, while BT management had the remain-

ing 2 per cent. Nordic Capital.

nvestment bankers have swedish venture capital, pen-been knocking on BT sion fund and life assurance industries door, just a few companies, also bought the three other remaining industrial businesses within Nor-

> The deal ended months of speculation about BT's future, with Junghelmrich, Toyota of Japan and Crown of the US among those rumoured to be interested hovers.

It also capped a year of change for the Swedish materials handling industry. Last summer, Kalmar, best known for its large lift-trucks used to shift loads such as shipping containers, was floated on the Swedish stock exchange by its then owner, Svedala.

As Mr Carl-Erik Ridderstrale,

BT's president and chief executive puts it, the company no longer has a "grandma that was not feeling too good", restricting the lift truck company's ability to finance expansion. At last month's launch of the

Reflex range of high-performance reach trucks. BT's managers and new owners explained the thinking behind the deal and mapped out the route ahead Dr Andreen is impressed by BT's recent increase in Euro-

pean market share, from 12 per cent in 1991 to 15 per cent, and sees potential in the emerging markets such as Asia, which at present only account for 5-7 per cent of sales.

With the recession over, volume increases of at least 5 per cent a year are likely, be says,

while prices could rise, easing the pressure on margins.

The new owners are heartened by the internal changes made at BT over the past two to three years, which have been vital in restoring the company's competitiveness. Along with many Swedish companies. BT entered the 1990s with a number of serious problems

part from Sweden's bigh costs and the recession, Mr Ridderstrale reels off a list of internal difficulties. The company was failing to focus on its core business. warehouse lift trucks, and distracted by a costly foray into automated handling equip-

Its product range was becoming outdated, manufacturing costs were too high and development programmes too long. Its production planning system was obsolete and working methods inflexible.

All this has changed. The BT Systems automated handling business was split from BT Industries in 1991. It has since been sold to Switzerland's Sprecber and Schub.

Meanwhile, a naw production strategy, easier-to-mannfacture products and a reduction in the workforce from 4,200 in 1991 to about 3,300 have doubled productivity, halved product development times and reduced net operating assets to SKrihn (\$134m)

from SKr1.4bn. With an improvement in tha

lift-truck market and benefits from krona devaluation albeit belated because of currency hedging - the losses of 1991 and 1992 turned to profits after financial items of Skr30m in 1993 and SKr154m for the first 10 months of last year on

sales of almost SKr3bn. Mr Ridderstrale belleves profits can rise further this year, especially if BT's big German rivals try to increase prices to offset the effects of

the stronger DMark. According to Dr Andreen, the turnround in BT's performance means that, in theory, it is ready to be floated now. In practice, inte this year would be the earliest, he says, and would depend on market condi-

Waiting a year for a flotation would also allow BT to tackle what Mr Ridderstrale sees as three remaining weaknesses.

The group, he says, has too small a presence in Germany, Europe's most important warehouse lift-truck market, and France; brand awareness is low outside existing customers; and its policy of selling "small ticket products" through its network rather than through distributors is expensive.

These issues are being addressed, through moves such as the recent decision to start a German-only brand, Movit, for band pallet trucks and other smaller items.

Along with the restructuring, Mr Ridderstrale believes this should help BT counter

Strong turnround at Dutch paper group

By Ronald van de Krol

KNP BT, the Dutch paper and packaging group, swung back into the black in 1994 with a provisional net profit of Fi 325m (\$190m).

This is a strong turnround from its 1993 net loss of Fl 343m, when results were beavily influenced by restruct-uring provisions of F1320m prompted by difficult trading conditions in the European

The company, created in 1993

out of a merger of the Nether-lands' three leading paper and packaging groups, said profit per ordinary share stood at Fl 3.04 in 1994 compared with a loss of Fl 0.27 in the previous

The provisional figures were released after the close of trading on the Amsterdam stock exchange, where KNP BT's shares rose F10.50 to close at FI 53.90.

Definitive figures for 1994 including turnover and dividend details, are due to be published on March 16.

Adidas considers a public share offering

Mr Robert Louis-Dreyfus, chairman of Adidas, the sportswear and shoe manufacturer, said the company was considering a public offering of between 20 per cent and 30 per cent of its shares in 1996, AFX reports from Munich.

He told a news conference that the offer would be divided between Germany and the US. The company, which is majority-owned by Adidas International Holding, Is negotiating with Credit Lyonnais to buy the 4 per cent

of Adidas which the French bank still owned. Mr Louis-Drevfus, who owns 24.9 per cent in the holding company, said the offering would involve all current investora selling equal percentages of their holdings.

The chairman said be expected Adidas sales to rise about 20 per cent in the first half of 1995.

in 1994, he expected Adidas to post a net profit of between DM25m and DM35m (\$16.4m-\$23m), up from DM9m

This announcement appears as a matter of record only.



IRSA Inversiones y Representaciones S.A. (Incorporated under the laws of the Republic of Argentina)

Rights Offering

30,481,889 Shares of Common Stock listed on the Buenos Aires Stock Exchange

and International Offering

1,142,294 Global Depositary Shares listed on the New York Stock Exchange

Representing 11,422,940 Shares of Common Stock

864,174 Global Depositary Shares

Latinvest Securities Inc.

This portion of the offering has been sold in the United States by the undersigned. Baring Securities Inc.

Amhold and S. Bleichroeder, Inc. Bancomer Securities International Inc. Smith Barney Inc. J.P. Morgan Securities Inc.

Cruz Blanca Corredores de Bolsa

278,120 Global Depositary Shares

This portion of the offering has been sold outside the United States and Argentina by the undersigned. Baring Brothers & Co., Limited

Smith Barney Inc.

Cruz Blanca Corredores de Bolsa

Arnhold and S. Bleichroeder, Inc. Bancomer Securities International Inc.

LatInvest Securities Limited J.P. Morgan Securities Ltd.

Exchange Offering SEC Registered Global Depositary Shares for

> Global Coordinator Baring Brothers & Co., Limited

Rule 144A Global Depositary Shares



This announcement appears as a matter of record only.



(Republic of Indonesia)

Rp. 15,000,000,000

(or US\$ equivalent)

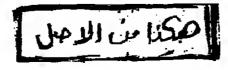
MULTICURRENCY COMMERCIAL PAPER PROGRAMME

Arranger ING BANK JAKARTA

Issuing & Paying Agent ING BANK JAKARTA

ING BANK

December 1994



March 1994

January 1994



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public stare offer

ALPHA Airports Group PLC

Flotation Public Offer and Placing of 113,087,500 Ordinary Shares at 140p each

Financial Adviser and Underwriter **UBS** Limited

BOOKER Booker plc

Cash Placing of 10.5 million Ordinary Shares

at 404p each

Joint Broker **UBS** Limited

March 1994



Capital Shopping Centres PLC

Initial Public Offering of 91,000,000 Ordinary Shares at 230p each

> Joint Lead Manager **UBS Limited**

> > November 1994



Chakwal Cement Company Limited

US\$100 million Global Depositary Receipts

Lead Manager

May 1994



CIRSPA

Lire 591 billion Rights Issue of 6% Convertible Notes due 1999

Joint Global Co-Ordinator **UBS Limited**

May 1994

CLS Holdings plc

Flotation Issue of 45,045,045 **Ordinary Shares** at lllp cach

Joint Adviser and Sole Broker **UBS Limited**

May 1994

DCC plc

DCC plc Introduction to the London Stock Exchange and Placing of 3,297,320 Ordinary Shares

at IR250p each Joint Underwriter and Broker **UBS Limited**

November 1994

EVC

EVC International NV

Initial Public Offering of 10,000,000 Ordinary Shares at NLG 77 each

Joint Global Co-Ordinator **UBS** Limited

Formosa Chemicals & Fibre Corporation and Nan Ya Plastics Corporation

US\$600 million 14% Bonds due 2001

> Lead Manager **UBS Limited**

FORTE Forte Pic

£177 million Vendor Placing of 78,000,000 new Ordinary Shares at 227p

Financial Adviser and Underwriter **UBS** Limited



Kinki Nippon Railway Co., Ltd.

SFr 300 million 2% Notes with Warrants duc 2001

Joint Lead Manager Union Bank of Switzerland



\$320 million 64% Convertible Bonds November 1994



Renault

International Offering of 24,784,383 Ordinary Shares at FFr 176 each

Joint Lead Manager UBS France S.A.

January 1994



Samsung Electro-Mechanics Co., Ltd.

SFr 70 million 0.25% Convertible Bonds

DANMARK

Tele Danmark A/S

Initial Public Offering of 63,229,770 B Shares at DKr 310 each

European Lead Manager **UBS** Limited

April 1994

April 1994

The Pelican Group PLC

Rights Issue of 25,246,519 Ordinary Shares at 80p each

Adviser and Joins Brokes **UBS Limited**

TransAtlantic TransAtlantic Holdings PLC

£250 million 55% Convertible Bonds

duc 2009

Lead Manager **UBS** Limited

February 1994



$\frac{T_{\rm cino}}{T^{\rm cino}}$ Tring International Group PLC

Flotation Placing of 21,186,440 Ordinary Shares

> Adviser and Broker **UBS** Limited

at 118p each

September 1994

UniChem

UniChem PLC

Rights issue of 24,430,796 Ordinary Shares at 245p cach

Joint Underwriter and Broker **UBS** Limited

February 1994

SELECTED COMPANS GROWN

United Carriers Group PLC

Flotation Placing of 15,050,014 Ordinary Shares at 153p each

> Sole Broker **UBS** Limited

June 1994



UPF Group plc

Flotation Placing of 17,878,864 **Ordinary Shares** at 108p each

> Adviser and Broker **UBS** Limited

May 1994

Vymura plc

Vymura PLC Flotation

Placing of 16,046,468 **Ordinary Shares** at 150p each

> Sole Broker **UBS** Limited

> > April 1994

winterthur

Winterthur Finance Ltd.

SFr 300 million 24% Bond with Warrants duc 1999

Lead Manager Union Bank of Switzerland

November 1994

THK

THK, Co., Ltd.

SFr 100 million

24% Convertible Notes

duc 1999

Lead Manager

Union Bank of Switzerland

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due 2004 due 2000 Joint Lead Manager Lead Manager **UBS** Limited Union Bank of Switzerland

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CUINNESS PLC

Guinness PLC

Block trade of 72,000,000 Ordinary Shares at 457p each

> Lead Manager **UBS** Limited

37. **Intershop Holding AG**

SFr 101.31 millioo 31/10 Boods with Warrants duc 2000 hy way of Rights

Lead Manager Union Bank of Switzerland

Norcor Holdings PLC **Norcor Holdings PLC**

Flotation Placing of 14,166,667 **Ordinary Shares** at 120p each

Adviser and Broker **UBS** Limited

April 1994

P.T. Indofood Sukses Makmur

US\$500 million Exchangeable Boods duc 1997

> Lead Manager **UBS** Limited

Sidelektra

Rights issue of 150,000 Bearer Shares

at SFr 1,000 each

Südelektra Holding AG

Lead Manager Union Bank of Switzerland

August 1994

SLILZER Sulzer AG

SFr 116 million 2% Convertible Bonds

duc 1999

Lead Manager

Union Bank of Switzerland

INTERNATIONAL COMPANIES AND FINANCE

McDonnell

MD-11 line

was only one of several

options under consideration. Its shares, however, fell \$1½ to

McDonnell Douglas's warn-

ing came amid continuing

weakness in global demand for

Last week Boeing of the US,

back production of two types of aircraft because of order

McDonnell Douglas makes

three commercial aircraft: the MD-89 twin-jet, the new MD-90 twin-jet, and the MD-11 tri-jet.

Production of the aircraft

employs about 10,000 workers

The downturn in demand for

iew aircraft has caused

McDonnell Douglas's deliv-

eries to plummet from 126 in

1992 to 39 last year, of which

2 were twin-jets and 17 were

at a plant in Long Beach, California.

\$52% in early trading.

new aircraft

Douglas

may halt

By Richard Tomkins

Kellogg facing charge of up to \$40m after job cuts

By Richard Tomkins In New York

Kellogg, the US breakfast cereal company, yesterday said it planned to increase productivity by cutting between 300 and 350 jobs in the US and overseas, resulting in a onetime pre-tax charge of \$30m to \$40m in the second or third

quarter. It said about one-third of the jobs would be salaried positions in its US cereal operations and the remainder would be outside the US. It expected to achieve cost

Kellogg's decision follows one of its biggest rivals, reined the company's poor financial performance last year. Net income rose by less than 4 per cent to \$705.4m. mainly because profits in the US were hit by tough competition.

Like other US manufacturers of premium cereal products. Kellogg is facing inroads into its market by cheaper products and own-label brands. Tradi-tionally it has charged high prices for its products bot lured consumers with heavy promotional spending on money-off compons Last year it revised that

back promotional spending and cut its prices by an average of 11 per cent. Kellogg, too, cut promotional spending and said it would invest more in brandbuilding advertising.

The cut in promotional spending initially helped Kellogg's bottom line, but it has failed to compensate for further declines in US sales. Last month Mr Arnoid Langbo, chairman and chief executive, said Kellogg was "extremely sensitive" towards further volume decline, raising speculation that the company might savings of \$12m to \$15m a year. strategy after General Mills, be forced into a price war.

Capital Cities/ABC earnings ahead by 46% for full year

By Tony Jackson

Capital Cities/ABC, the US media group, underlined the recent revival of the US TV networks with a 46 per cent jump in full-year earnings to

The final quarter showed a 44 per cent rise to \$241m, in spite of the period being six days shorter than the year

Earnings per share rose more sharply as a result of share buy-backs, with full-year earnings up 55 per cent before extraordinary charges at \$4.42. takes

and earnings for the quarter periodicals and books, were up up 52 per cent at \$1.56. The 17 per cent at \$42m for the company bought in some 10m shares in the course of the

Operating profits from broadcasting rose 47 per cent in the quarter to \$410m, on sales up 4 per cent at \$1.7bn. The contribotion from the ABC TV network was np significantly, the company said, as a result of strong advertising demand. There was also a significant rise at ESPN, the group's cable network.

Earnings from the publishing division, which takes in nswspapsrs,

quarter, with the specialised publications performing better than the newspapers.

In addition to the ABC and cable networks, the group runs a number of local TV and radio stations, and produces its own TV programmes. For the full year, operating

income from broadcasting was up 45 per cent at \$1.13hn, with ABC, ESPN and the radio stations significantly". Full year publishing profits were \$155m, a rise of 23 per

The company expects to benefit from its share of a \$6hp commercial aircraft order from Sandi Arabia announced by President Bill Clinton last year, but final negotiations over the deal have taken ionger than expected and left the company with a hole in fts

MD-11 order book in 1996. McDonnell Douglas said that if the delays continued, one option under study was to ciose the MD-11 production line for a period. Thousands of workers would be temporarily laid off, although production of the company's other aircraft would continue.

It said this would be an extreme measure which it hoped to avert - either through completion of the negotiations with Sandi Arabia or by winning orders from other airlines.

Australians pluck American fruit

Richard Waters and Nikki Tait report on NAB's US purchase

t has been an open secret that National Australia Bank, the sturdiest of Australia's "big four" commercial banks, has been scouring the US for an ecquisition for some

McDonnell Douglas, the US aircraft manufacturer, yester-On Sunday that search finally bore fruit. NAB has day said it may have to consider mothballing production agreed to pay \$1.5bn for Michigan National, a regional bank of its higgest aircraft, the 300-seat MD-11, for part of with a decidely chequered recent history, in what it says next year because of a severe order shortage. It emphasised that this was will be the first part of a broader expansion in the US. "a worst case scenario" and

The deal is the biggest of a series of recent acquisitions by foreign banks in the country. The general weakness in bank shares since last summer may have cooled the domestic US takeover market: chairmen whose own companies are valued by the stock markets at only around 9 times this year's the world's biggest aircraft manufacturer, said it was cut-ting 7,000 jobs and scaling earnings have difficulty justifying multiples of 15 or more for acquisitions.

Foreign banks, however particularly those able to pay with cash - have felt less constrained at paying a premium to gain a foothold in the world's biggest banking mar-

For the big Australian bank there are fairly obvious reasons for the move. NAB has a large presence in its core Australasian markets, and can reasonably expect these to become more competitive in the months ahead. Two of its large banking competitors, Westpac and ANZ, are emerging from their recession-related bad debt and problem loan difficulties. At the same time, as in many. other countries, boundary lines between different types of financial institutions are being

NAB's earlier diversification into the UK - where it owns the Clydesdale, Yorkshire and

financial officer last year and is in the early stages of a cost-Northern banks - is now well bedded down. It is currently cutting exercise intended to looking to acquire the Irish bring its excessive cost base TSB Bank, but even if this more into line with other comes to fruition it would be a regional banks. modest deal As for Asian That Michigan National has opportunities, Mr Don Argus, agreed to be acquired before its NAB managing director, has planned rehabilitation takes said firmly, if unfashionably, effect is believed to owe much that the bank intends to take to the attentions of its biggest

recent US bank deals

"a low-risk, low-cost strategy, rather than get in there and biff it out with established players". With Michigan National, The price paid by NAB is towards the top end of valuations of other

NAB has found an institution which is still in the early stages of a turnround after a failed attempt to expand into mortgage banking in the late 1980s. Under chairman Mr Robert Mylod, a former president of the Federal National Mortgage Associatioo (Farmie Mae), the bank bought lending institutions in California and Texas, as well as a significant book of mortgage servicing rights. Those purchases hit Michigan National hard as

value of its servicing rights; then dropped, ending the refi-nancing boom and with it the mortgage origination business. The bank, with \$8.9bn in assets and 191 branches, has since sold the businesses mutside its home state. While operating under the close scruting of the US comptroller of the currency, whose office regulates nationally chartered banks, it brought in a new

bond prices first soared.

prompting a wave of mortgage

refinancings and bitting ths

and at last year's annual meeting won considerable support from other shareholders in a protest vote against directors This year, that protest has looked increasingly like turning into an outright proxy fight, in which incumbent directors could have found themselves unseated.

shareholder, Heine Securities.

The firm, with 8 per cent of the

bank's stock, has been agita-

ting for a sale for some time,

gainst that back-A ground, the bank's shares had already risen on the hopes of a take-over. Even then, the \$110 a share being offered by NAB was well ahead of the \$88% at which the shares closed on Fri-

At nearly two times book value, and 14 times earnings, the price paid by NAB is towards the top end of valua-tions of other recent US bank

For NAB, the acquisition is likely to be the first of several in the US. The bank is attractive because it fits into a "strategy of running a federation of regional banks in economies where there is strong growth and we understand the accounting rules." NAB says. The Australian bank said that it would expect "negligible" immediate effect on its

earnings from the proposed deal, and an increasing contribution to profits over the lon-ger-term. One area where NAB claims its own expertise may prove valuable is in pushing Michigan National towards a more evenly-weighted balance of consumer and commercial

At present, the latter accounts for about 80 per cent of the total. There are great opportunities to pursuo the consumer-type banking we operate in this country." com-

mented Mr Argus, yesterday.
He also made clear that the purchase of Michigan National, which puts about one-tenth of NAB's assets in the US, would not be the end of the Australian company's stateside ambitions. "It's a good shell bank, which we can drive organically or use for further acquisitions," he said.

He is not alone. Others, such as Harris Trust, owned by Bank of Montreal, and National Westminster Bancorp. part of the US bank, have also been active acquirers recently, bnying additional assets and branches to add to what are already sizeable US regional nking husinesses.

From an existing base, such deals can make good financial sense. NatWest paid more than 2 times book value in two acquisitions in New Jersey last

According to Mr John Petts. a senior vice-president at the bank, the bank should be able to cut around 40 per cent of the non-interest costs of the two

Record income for US Healthcare

By Richard Waters

US Healthcare, one of the biggest operators of health maintenance organisations in the US, reported record net income of \$391m for 1994, up 30 per cent from the previous year. The Pennsylvania-based company's results benefited from higher enrolment numbers and lower medical costs. By the end of last year, US Healthcare's health plans covered nearly 2m people, np 293,000 from a year before. Of

the increase, 175,000 are in

plans insured by the company.

CS First Boston

Deutsche Bank AG London

ABN AMRO Bank N.V.

Morgan Stanley & Co.

Dresdner Bank

Lehman Brothers

Salomon Brothers International Limited

PaineWebber International (U.K.) Ltd.

U.S. \$53,000,000 Banco Internacional S.N.C.

Floating Rate Notes Due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the six month interest Period from 7th February, 1995 to 7th August, 1995 the Flate of Interest has been fixed at 7.4375% p.a. and the interest Amount payable on the relevant Interest Period Data 7th August, 1995 in respect of each U.S. \$100,000 nominal amount of the

Reference Agent

Standard Chartered Capital Markets Limited

7th February, 1995

Standard & Chartered

funded by their employers.

The improvement contributed to earnings per share of \$2.42 for the year, compared

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three months of the year, net The company also reported that its medical cost ratio (the income increased to \$107m, or proportion of premiums it pays out in medical costs) dropped to 69.3 per cent for the year, from 72.7 per cent. A health maintenance organisation reduces medical costs by using its size to negotiate lower rates from bospitals and other healthcare providers, and by restricting the types of treat-ment and drugs available to

U.S. \$1,000,000,000

🔀 Baden-Württemberg

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\$L-BANK

Issue Price: 101.232%

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£150,000,000

Banque Bruxelles Lambert S.A.

Merrill Lynch International Limited

L-Finance N.V.

with the rest in schemes

67 cents a share, from \$91m, or 56 cents a share, the year before. The medical cost ratio for the period was 68.2 per cent, compared with 68.7 per cent in the same period of 1993. Healthsouth, the largest US provider of rehabilitation services, is buying 11 hospitals and 12 other facilities from rival NovaCare, writes Maggie Urry. The \$235m deal will give Healthsouth a total of nearly 450 locations including 67 hospitals, with a total of nearly 5,000 beds.

Antohalmen- and Schneller assen-Financierungs-Aktiengesellschaft U.S. \$200,000,000 ' Guaranteed Floating Rate

ASFINAG

In accordance with the provisions of that the tane of interest for the three month period ending 8th May, 1995 has been fixed at 6.2/25% per ammun. The interest accruing for such three month period will be U.S. \$157.04 per U.S. \$10,000 Bearer Note, and U.S. \$1.570.38 per U.S. \$10,000 Bearer Note, and U.S. \$1.570.38 per U.S. \$100,000 Bearer Note, and \$1.500.500 per U.S. \$100.000 Bearer Note, and \$1.500.500 per U.S. \$1.500.000 per U.S. \$ Note, on 8th May, 1995 again presentation of Coupon No. 10. Union Bank of Switzerland
London Branch Agent Bank



2nd February, 1995

in accordance with the terms and conditions of the Notes, the rain of terest applicable for the interest per-jumenty 30, 95 to July 31, 95 in 8.88% per summa. interest payable on July 31, 95 per Note of HKS50,000 will be HKS 2,213, 92

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CORRECTED NOTICE

To The Holders of Banco Central de Costa Rica US \$66,611,775 Series A Interest Claims Bonds Due May 21, 2005 US \$76,435,529 Series & Interest Claims Bonds Due May 21, 2005 MOTICE IS HENDBY GIVEN, that the rate of instruct born November 21, 1984 through and including February 20, 1985 to 8.75% per annum. Interest coupon payable on February 21, 1985 will emount to \$1,325.07 per \$100,000 normal loss amount.

Dated: February 6, 1995

the interest Period 6th rusry, 1995 to 7th August, nterest Rate of 6.4375 per enr. per annum with interest mounts of U.S. \$32.55 per U.S. \$1,000 and U.S. \$325.45 per U.S. \$10,000. The relevant

JPMorgan

Agent: Morgan Guaranty Trust Company

Floating rate notes 1999

Notice is hereby given that the notes will bear interest

at 6.9375% per annum from ? February 1995 to 3 May

1995. Interest payable on 3 May 1995 will amount to £169.16 per £10,000 note.

U.S. \$100,000,000 Collared Floating Rate Notes due 2003

erest Payment Date will be 7th August, 1995. Bankers Trust Company, London

Stone Container sees extended recovery

By Maggle Urry in New York

Stone Container, the US paper and packaging group, is predicting the current upturn in the industry will be "stronger and longer than past recoveries, iasting at least into 1997". However, rising prices for recycled fibre added \$52m to costs and held back fourthquarter profits. Net income was also affected by a higher tax rate

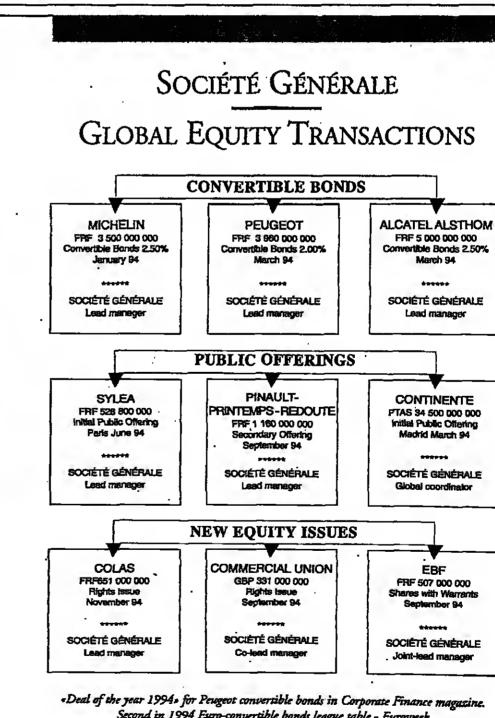
president and chief financial

Nevertheless, Stone reported net income in the final three months of 1994 of \$29.8m. or 28 cents a share, on a fully diluted basis, compared with a net loss of \$85.8m, or \$1.23, in 1993. Sales in the quarter were 30 per cent up at \$1.62hn.

The full year produced a net loss of \$205m, after one-off charges which totalled \$75.8m. compared with a loss in 1993 of \$359m, after charges of \$39.5m relating to accounting changes and the early repayment of

On a per share basis the loss was \$2.46, against \$5.15, or before the charges \$1.60 compared with \$4.59. Sales in the year were 14 per cent higher at \$5.75bn. Stone said it raised prices for its containerboard and corrugated boxes in January, it is planning rises for newsprint in March and May. Market pulp prices also went up last month and another increase is sched-

- 《本等



FRF 507 000 000 Shares with Warrents SOCIÉTÉ GÉNÉRALE Joint-lead manager «Deal of the year 1994» for Peugeot convertible bonds in Corporate Finance magazine. Second in 1994 Euro-convertible bonds league table - Euroweek. First in French equity and equity-linked issues over the 1993-1994 period.

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CAPITAL MARKETS DIVISION



LET'S COMBINE OUR TALENTS.

FINANCIAL TIMES TUESDAY FEBRUARY 7 1995

ARTER CAN



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INTERNATIONAL COMPANIES AND FINANCE

Weyerhaeuser helps Slocan fend off Canfor

By Bernard Simon in Toronto

Vancouver-based Slocan Forest Products has enlisted the support of Weyerhaeuser, the US forestry group, to help fend off an unwelcome takeover bid from Canfor Corp.

Weyerhaeuser's Canadian subsidiary would gain a secure supply of wood chips from Slo-can sawmills for 10 years in exchange for investing C\$80m (US\$57m) in senior unsecured notes issued by Slocan.

The funds will finance half of Slocan's proposed buy-back of 8m shares, or about one-fifth of its outstanding shares, at C\$20 each. Slocan hopes its share-holders will find the buy-back offer more attractive than Can-

Canfor has offered C\$19 cash for about 10 per cent of Slo-can's shares and 0.935 Canfor shares for each remaining Slocan share. The bid, which values Slocan at about C\$700m, closes at midnight tonight and is subject to a 51 per cent acceptance rate.

Canfor has insisted it will not sweeten its terms again. But Mr Brian Topp, analyst at BZW Canada, yesterday said both companies "still have room for manoeuvre".

the shares of both companies

are now expensive in relation to the outlook for the humber market. "We would be selling Slocan without a second thought," he said.

Like Weyerhaeuser, Canfor's interest in Slocan stems largely from its eagerness to gain a secure source of fibre for its pulp mills. The market for wood chips is extremely tight, partly because of increasingly severe restrictions on tree-cutting in British Columda and the north-west US.

Scarce wood fibre also lies behind a deal announced yesterday under which Orenda Forest Products, another British Columbia timber producer, plans to merge with a private company controlled by lenders to the Gold River newsprint mill on Vancouver Island

The C\$320m mill, which is among the world's most modern newsprint facilities, has been idle since late 1993 as a result of a dispute between the lenders and Avenor, the mill's main shareholder. The original bank lenders have sold the bulk of their loans to US "vul-

A spurt in world newsprint prices last year has improved Gold River's viability. But its future has remained clouded

Net earnings at Dofasco improve to C\$220.9m

By Bernard Simon

Dofasco, Canada's biggest steelmaker, almost doubled operating income in 1994, but warned that the recent rise in North American interest rates could hit steel demand later

Net earnings last year rose to C\$220.9m (US\$157.8m), or C\$2.89 a share, from C\$138.6m, or C\$1.41, in 1993, Sales climbed to C\$2.26bn from

Fourth-quarter earnings fell to C\$63.4m, or 67 cents, from C\$82.4m, or 95 cents, a year earlier. The drop was due entirely to one-time gains in 1-2 per cent in 1995.

1993. Fourth-quarter operating profit soared to C\$82m from C\$48.8m, and steel shipments climbed to 795,000 tons from

751,000 tons. In addition to buoyant demand, fourth-quarter shipments were boosted by deliveries shead of a January 1 price increase.

Flat-rolled steel consumption in Canada is estimated to have soared by 16 per cent last year. taking it 11 per cent above the 1988 peak. However, Dofasco, based in Hamilton, Ontario, expects growth in steel demand in Canada and North America as a whole to slow to

Donohue's net profits surge to record

By Robert Gibbens in Montreal

Donohue, the Quebec-based newsprint, pulp and timber group, has shown how rising product prices and shipments can swiftly affect profitability.

For the final quarter of 1994, Donohue, one of North America's most efficient softwood pulp and newsprint producers, ed record net profits of C\$48.2m (US\$34.4m), or 66 cents a share, up from C\$7.1m, or 10 cents, a year earlier, on sales of C\$229m against

amounted to a record C\$114.2m, or C\$1.59, up sevenon sales of C\$807m against C\$574m. A weaker Canadian dollar

belped in the fourth quarter most of the company's products are exported. But higher selling prices and

throughout the year.
The fourth quarter included
C\$11.3m in refunded duties paid on timber exported to the US and 49.9 per cent of the earnings of Finlay Forest Industries, a British Columbia pulp and newsprint firm, for eight

in Finlay last April.

Tokai Bank offshoot gains brokers licence

Tokai International Securities, a unit of Tokai Bank, has been granted a brokerage licence by Japan's Ministry of Finance,

Tokai International also intends to file applications with the Tokyo Stock Exchange and the Japan Securities Dealers Association to obtain qualification as dealers in bond futures and over-the-

Tokai International said it expected to start operations early March, with initial paid-in capital of Y30hn (\$301m). Mr Show Sato will be

Newsprint prices spiral as demand soars

Newspaper publishers around the world are feeling the pinch, writes Bernard Simon

surge in world news-print prices is forcing A print prices is norms paper producers and their customers to think hard about the way they do busi-

The boardroom ruminations were evident last week when Mr Rupert Murdoch, chairman of News International, hinted that spiralling raw material costs may end the vicious UK newspaper price war which he initiated in mid-1983. Mr Murdoch is by no means

alone in his predicament. Publishers around the world are wincing at the unexpectedly sharp rise in newsprint costs which in general make up 20-25 per cent of a newspaper's total

Transaction prices, which bear little resemblance to "list prices" quoted by producers, have jumped from about \$410 a tonne in mid-1993 to \$600 a Abitibi-Price of Canada, the

world's biggest producer, noti-fied its North American customers last week that it planned to lift prices by another \$75 a tonne on May 1. Publishers have already taken steps to relieve the pain. including reduced web sizes on printing presses, tighter con-trols on circulation, and a shrinking ratio of editorial to advertising space. Many news-papers outside the UK have also raised their cover prices.

An executive at one large US

risen by about \$125m over the past 18 months. He predicts higher costs could force many dailies in cities with more than one title to re-examine their

"The immates are in charge of the asylum," he says, referring to Abitihi's announcement of another price rise before it has even implemented a \$50 a tonne increase set for March 1. Demand in North America is

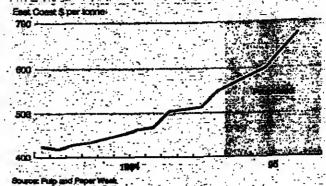
so strong that shipments from

Canadian mills to their UK customers are about four weeks behind schedule. "It's time to roll over and be raped," says one exasperated UK newsprint buyer. In North America, some publishing companies which usually have their newsprint delivered by rail or barge are demanding it be sent more quickly by truck.

ha squeeze is most intense, however, in south-east Asia, where newsprint consumption has scared in recent years. According to the Canadian Pulp and Paper Association, Canadian shipments to Asia climbed by 12 per cent in 1993 and by another 15 per cent in the first 11 months of last year. Rising demand in Japan,

Korea, Taiwan and Indonesia all of which rely heavily on imported supplies - has been a mainspring of the run-up in prices. Spot prices in the Pacific basin are said to be as

group's newsprint bill has Recaleting cost of newsprint



high as \$800-\$900 a tonne. For the producers, however, the price increases are long overdue. Low raw material prices may have helped many newspapers survive the 1991-93 recession and tempted proprietors, such as Mr Murdoch, into a price war.

But the recession has ravaged producers, mainly in North America and Scandinavia. The CPPA calculates that the Canadian pulp and paper industry racked up losses of C\$5.5bn (US\$3.93hn) between 1991 and 1994.

"In these tight markets, we are looking to get back to rea-sonable returns to compensate for the past four years of says Mr Bob Tait. Abitibi's investor relations

The CPPA predicts world demand for newsprint will

climb by 2.7 per cent annually over the next three years. US daily newspaper consumption grew by 49 per cent last year, and remains strong.

By contrast, supply is slated to rise by just 1.2 per cent a year. Only 600,000 tonnes of

capacity around the world, or the equivalent of about three weeks production in Canada, is No new virgin fibre projects are on the drawing boards in North America and only two

new newsprint machines are due to come on stream in Europe before 1997. If the CPPA's predictions are correct, the ratio of demand to worldwide industry capacity

will rise from 93 per cent this year to a record 96 per cent in . However, the pulp and paper

atility. Recent history has shown that prices can dive as unexpectedly as they rise.

North American publishers received one piece of good news last week. Fietcher Challenge Canada and its unions settled a labour dispute which has shut three mills in British

Columbia since Christmes. Furthermore, newspaper publishers and their readers have yet to feel the full impact of recent price increases. Consumption of newsprint could flatten out or even decline later this year under the combined weight of higher cover prices and the expected slowdown of the overall

nalysts and buyers are waiting to see whether other North American producers follow Abitibi's lead announcing a May 1 ease. None has so far done

The price spiral has also put producers on the spot. The severity of the 1991-99 slump was exacerbated by a spate of investments in new paper machines, just as the previous cycle was reaching its peak.

Newsprint producers now have to decids whether the upswing will last long enough to justify investing in new capacity. But no one wants to be caught again spending hun-dreds of millions of dollars on a new paper machine just as the market turns down.

Scrip dividend proposed by Absa

Amalgamated Banks of South Africa, the country's largest banking group, yesterday indi-cated it would offer its shareholders a scrip dividend this year in order to help finance growth without raising fresh

Mr Danie Cronié, chief executive, told investors in London that the bank, which is attempting to re-build its share of the retail financial services market after three years of disruption, would not need to

raise new capital. Mr Cronjé said that Absa had consulted large sharehold-

ers, including South African . National Life Assurance and Universal, about offering them a scrip alternative to this year's cash dividend in order to bolster capital ratios. He said that a scrip dividend.

which would enable investors to avoid a 25 per cent tax on cash dividends, was accepted in principle by one big shareholder, and it now seemed "feasible" for Absa to follow other banks in offering one.

Barings Securities, the broking arm of the merchant bank

which hosted Absa's London presentation, has estimated that an 80 per cent take-up of a scrip dividend would add 0.3 percentage points to the bank's

of total capital to risk-weighted assets is relatively low at 8.6 per cent. But Mr Cronjé said that because loan capital was convertible into equity, it could easily strengthen its 6.2 per cept tier 1 ratio.

Mr Cronje said there was no need for fresh equity, and no immediate plan to raise new loan capital. He said the bank, formed in two mergers of banks and building societies, would not sacrifice credit quality to gain new business.

He said that its share of products such as mortgages had fallen because of disruption due to merger, and it would try to regain its former

David M. Jones

David L. Benson

Scott P. Noyes

market share gradually. How-ever, it was determined not to lower credit standards in doing

 Absa's financial year ends on March 31. In the six months to September 30, its pre-tax profits rose by 16.6 per cent to R1.07bn (\$301.7m), marking the start of a recovery after flat earnings due to difficulties with the margers. Mr Cronjé said there was no

sign of banks such as Barclays and Standard Chartered, which divested retail banks in South Africa before the end of apartheid, re-entering that market. However, he said that he would welcome such compe-

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Richard M. Kelly, Chairman of the Board and William D. Shaw, Jr., President & CEO, are pleased to announce the following officer appointments:

Senior Vice Presidents

may take stakes in Asian groups Yamaha Motor, the Japanese

Yamaha Motor

motorcycle maker, is considering taking direct stakes in Escorts of India and Slam Yamaha of Thailand as part of its aim to boost its presence in the Asian market, AFX reports from Tokyo. Yamaha Motor said it had

not agreed on details of the planned share purchases. Its relationship with the two com-panies to date has been limited to technical agreements.

Separately, Yamaha Motor said it intended to hait permanently direct motorcycle exports to Mexico after suspending exports in December.

Vice Chairman

Julian N. Johnson

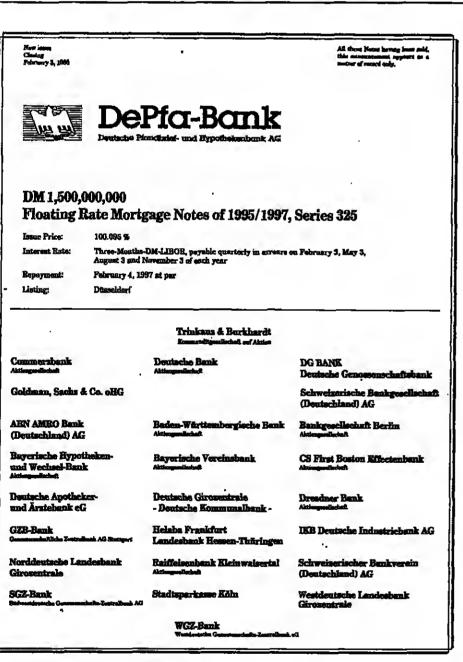
Marty Minzer

Delin Joseph

Lisa Zindorf

Todd J. Speiser

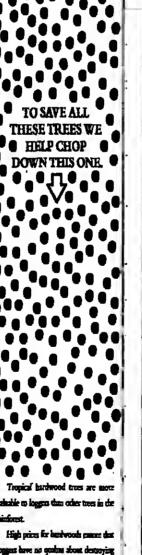
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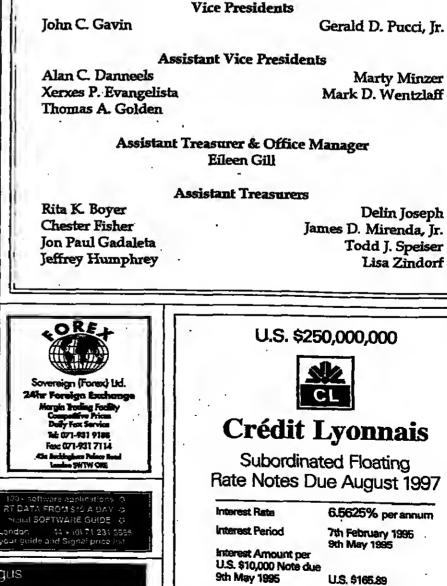
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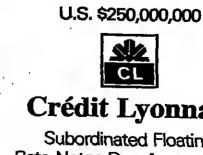
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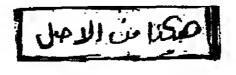


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Metro Pacific, the Indonesian controlled property group which last month led the winning consortium in a \$1.5bn hid for a former military base in central Manila, bas asked the government for more time to make payments on the deal. Its bid for the 117-hectare Fort Bonifacio site bordering the Makati financial district was some 30 per cent higher than its nearest competitors. It was regarded as audacious in the equity market, given the need for utility services on the site and the long lead time

return on its money. The Bases Conversion Development Authority (BCDA), a government agency which retains 45 per cent ownership of the site, will rule on Metro's rescheduling request in the next few days.

before Metro can expect a

The request has, in any case, cast fresh doubts on tha Philippines' largest property

Manila property brokers believe a decision in favour of Metro Pacific would prompt Ayala Corporation, the Philippines' largest property group and runner-up in the Fort Bon-ifacio bidding, to launch a legal housing developer.

The five competing groups agreed before bidding began

last month that a successful bid could not be contested in the courts unless the winning group requested a change of rules after the contest had closed.
The BCDA would have the

right to reclaim the 55 per cent of Metro it sold if it decided to reject Metro's request, and if the company was unable to meet the February 1996 deadline on the second half of the payment. This would be a severe blow to the credibility of Metro, whose shares have been under pressure since the auction last month.

The Metro ruling is crucial for the Philippine government because it could put into ques-tion its ability to manage largescale privatisations," said one analyst in Manila yesterday. The ruling is also considered to be an important indication of whether Manila's commercial property boom will continue to attract wide foreign interest.

The Metro Pacific-led consortium to develop Fort Bonifacio includes the Philippine flagship company of Malaysian property developer Mr Robert Kuok, and Land & Houses Public Company, a prominent Thai

JCI allays fears over mine merger

Johannesburg Consolidated "We don't want to go in interestment (JCI), the South there with risk," he said. "We African mining group, says it has eliminated much of the risk associated with the planned merger of its Western Areas and South Deep gold mines, Reuter reports from

"We have a world-class mine in the making. that represents the greatest growth opportunity in the gold mining industry today, group gold and uranium chairman Mr Bill

Nairn said yesterday. Shareholders will be asked on February 21 to approve the merger between Western Areas JCI said last week Gold Mining and the adjacent

South Deep Exploration.

Mr Nairn said the South
Deep project had been under investigation for the past 15 years. Some R200m (\$56.4m) had already been spent assessing the geological and technical aspects of the development. are happy that we have addressed this thing technically. Mr Nairn was responding to

doubts from some analysts on the value of the project. One said investors had been "burned" before by faulty projections on similar ventures. Under the merger terms,

Western Areas will acquire Sonth Deep's entire mining operations at a ratio of 92 Western Areas shares for every JCI said last week the

merged company would need outside funding of R1.1bn, at July 1994 money terms, and would call an initial rights issue of between R500m and R600m after the completion of the merger.

The balance of the money would be sought in 1999.

Host Marriott leaseback

leaseback of 21 Courtyard hotels to Health and Retirement Properties Trust for \$179m, with 10 per cent of the price deferred, reports Reuter from Washington.

It will share in the properties' future cash flow as part of the transaction. Under terms of the agree-

Host Marriott, the US hotels ment, Health and Retirement group, has agreed the sala and will receive annual base rent of will receive annual base rent of about \$18m, plus a percentage rent equal to 5 per cent of the increase in hotel revenues. Host Marriott will receive the properties' residual cash flow.

Health and Retirement also receives a one-year option to purchase the remaining 33 Host Marriott-owned Courtyards on similar terms.

NEWS DIGEST

INTERNATIONAL COMPANIES AND FINANCE

EBS shares up as speculation over takeover persists

Shares in Eridania Béghin-Say (EBS), the French agro-industrial group controlled by Italy's Montedison, rose 5 per cent in Paris yesterday, in spite of Montedison's attempts to dampen takeover speculation, write Andrew Hill in Milan and David Buchan in Paris.

At a dinner in Paris last week, Mr Umberto Agnelli, chairman of Ifil, the quoted Italian holding company, said there were obvious syn-ergies between KBS and Saint Louis, the French food, paper and sugar group controlled by Ifil and the French financial holding company Worms.

Montedison, which also has energy and chemicals interests, yesterday reiterated that KBS was "an essential component" in its kiss was "an essential component" in its recovery strategy, and said there were no plans to reduce its EBS stake. "There have been no contacts of any sort with liftl or other potential buyers," Montedison said.

Mr Agnelli had already pointed out last week that any attempt to forge links between

EBS and Saint Louis would come under close scrutiny from national and European antitrust authorities, and would probably require the sale of certain parts of each company. At one point, EBS shares were up FF172 at FF1798, but they closed at FF1762. Shares in Montedison rose L6 to L1,290 in Milan.

Production begins on delayed oil project

The Goodwyn A gas drilling and production platform, on the North West Shelf off Australia's north-west coast, has finally come into production after 16 months' delay, writes Nikki Tait in Sydney. The hold-ups were argely due to engineering problems.

Woodside Petroleum, one of six participants in the project, said the new platform, the largest offshore facility in the aouthern hemisphere, was started up yesterday. It has begun producing from the first of a dozen production

"An accelerated drilling production programma will see production build up to full plateau capacity, which is expected to be 80,000 barrels a day of condensate, and 900 million cubic feet a day of natural gas, by mid-1996," it said.

When drilling is completed, the cost of the project is expected to have reached some A\$2bn (US\$1.5bn).

Portman Mining share sale to Citic blocked

Shareholders in Australia's Portman Mining yesterday voted down a proposed A\$37.8m (US\$28.5m) share placement to China International Trust and Investment Corporation (Citic). The deal would have given the large Chinese investment group a controlling 52 per cent interest in the Perth-based group, which planned to use as a vehicle for resource and mining interests in the Asia-Pacifc region. Portman said after the vote it would review

other means of financing a proposed A\$74m coking coal project in Queensland. Citic was to have procured a 10-year loan for

Commenting on shareholders' action, Portman said: "There was a general view that the fair and reasonable judgment by the independent expert may have been on the low side. There was obviously a block of shareholders which felt the deal was inadequate."

US chemicals group agrees Japanese link-up

FMC, the diversified US chemicals group, has agreed to sell a 20 per cent interest in its Philadelphia-based soda ash business to Nippon Sheet Glass and Sumitomo Corp for \$150m, Reuter reports from Chicago. FMC said the two companies would also invest in FMC Wyoming Corp'a previously-announced \$135m

two-phased solution mining project.
When the deal is completed, FMC's Wyo-

2.5

2:3

ming unit will be solely composed of the company's soda ash business. FMC Wyoming will

supply soda ash to the glass manufacturing operations of Nippon Sheet Glass, with Sumitomo handling distribution in Japan. FMC said it would retain management control of both the soda ash business and its Green River, Wyoming soda ash mining and manufacturing facility. The joint venture is

Harley-Davidson warns of falling margins

Harley Davidson's

expected to be completed in the second quarter

of this year.

Shere price (S) its motorcycle business may deteriorate this year, said Mr Richard Teerlink, the US com-pany's chief executive, Reuter reports from New York. "We could see margins deteriorating in 1995," Mr Teer-link told analysts. The company'a 1994 margin 1994 95 was 14.1 per cent. The company is finalising

operating margins for

plans for a new distribution centre in Rotterdam, but Mr Teerlink said it had no plans for a manufacturing plant

Mr Jeffrey Bleustein, president of the motor-cycle division, reiterated that the company expected to produce 100,000 motorcycles in 1995 and 115,000 in 1997.

He said the company was making 395 motor-cycles a day by the end of 1994, 13 per cent higher than in 1993. Mr Teerlink said the company had no plans to produce a 650cc motorcycle, although he acknowledged that was a significant segment of the market.

In New York, the company's shares were \$1% lower at \$25%. in early trading yesterday

Agco distribution deal

Agco, the rapidly-expanding US farm equipment producer, has reached an agreement to exclusive distributor in the US, Canada and Mexico for Landini, the Italian tractor producer, writes Andrew Baxter in London.

Atlanta-based Agoo will acquire Landini's dealer network in North America, where sales of Landini equipment reached \$26m in 1994. Landini makes specialty tractors used in applications such as vineyards and orchards, and standard agricultural tractors between 40hp and 130hp

The deal follows Ageo's acquisition last June of UK-based Massey Ferguson, which has a 30 per cent stake in Landini.

S Korea scales back bank privatisation

The South Korean government will reduce the number of shares it plans to sell in the stateowned Kookmin Bank, formerly Citizens National Bank, because of poor stock market conditions, writes John Burton in Seoul.

The government originally hoped to sell all of its remaining 47.6 per cent stake, or 27.72m shares, in the bank on February 9 and 10 as part of its privatisation programme. However, it has reduced the amount to 15.8 per cent, or 9.24m shares. It plans to proceed with the sale of the rest of Kookmin shares when market conditions improve.

Taiwan Glass profits ahead 42% for year

Taiwan Glass Industrial Corp has announced a 42 per cent rise in its 1994 preliminary net earnings, to T\$1.82bm (US\$69.2m), or T\$2.86 a share, amid increased demand, AP-DJ reports from Taipei.

The company also forecast a 5 per cent increase in 1995 net earnings, to T\$1.92bn on sales of T\$9.8bn, up 9 per cent from 1994. Taiwan Glass said it planned to spend T\$3bn on a float glass-making plant in mid-western

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Taiwan. The project will be funded with its own money, reserved earnings and proceeds from planned global depository receipts.

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No. 000068 of 19904 IN THE HIGH COURT OF BUSTICE CHANGERY DIVESTOR IN THE MATTER OF THE ALBERT FERIER GROUP PLC

IN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS HEREEY CRVEN that the Order of the High Court of Instite: (Chancery Division) clased. 25th January 1993. confirming the refunction of the share premium account of the above meaned Company by £30,000,000 was registered by the Registers of Companies on 25th January 1995.

Dated this 7th day of February 1995 ASELIEST MORRES CRESP Broadwalk House 5 Appoid Street London ECZA 27IA

Ref: SAW/A52004131 Tel: 071 638 1111 Solicitors for the said Company

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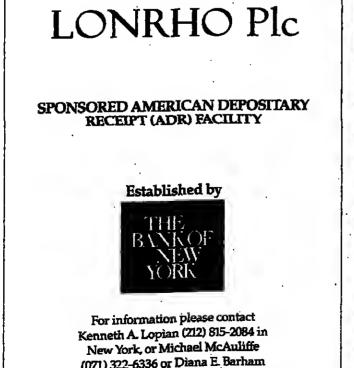
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COMPANY NEWS: UK

BA's 57% rise exceeds expectations

By Michael Skapinker, Aerospace Correspondent

Britisb Airways yesterday exceeded analysts' expectations by announcing third quarter pre-tax profits up hy 57 per cent from £65m to £102m

Sir Colin Marshall, chairman, said the airline had benefited from strong demand, low fuel prices and continued progress towards its cost reduction target of £150m for the financial year which ends on March 31. He said the outlook for 1995 was encouraging with demand remaining strong, but he warned that price competition

He said the prospects for low fuel prices were good as a result of mild winter weather to North America and Europe The airline's fuel and oil costs fell 9.8 per cent to the third quarter to £147m. This reflected exchange rate benefits and a 4.2 per cent fall in the dollar price of fuel.

Sir Colin repeated his warning, made at the half-year stage, that BA might have to make a write-down against the book value of its investment in USAir, the struggling carrier in which BA has a 22 per cent stake. BA's stake in the US airline has a book value of £261m.

USAir, which announced last month that it made a net loss for 1994 of \$648.9m, is currently negotiating with its unions on how to cut costs, Sir Colin said the outcome of these negotia-tions was uncertain. He added, however, that BA's alliance

that the two airlines would continue with arrangements such as code-sharing and joint frequent flyer programmes. BA still expects benefits from the alliance to be about \$100m (264m) in the current year.

The atrline's other alliances produced varying results. Qantas traded profitably in the quarter but combined losses at TAT European Airlines and Deutsche BA were slightly higher than last year's level. On its scheduled services, BA carried 7.3m passengers to the third quarter, an increase of 7.4 per cent. Over the nine months, passenger numbers

increased 7 per cent to 23.7m. Premium traffic, travelling in Concorde, first or husiness class, rose 6 per cent to the quarter BA said, however, thet this was a smaller increase than in the previous three months, when premium traffic

was up 11 per cent.
For all classes of scheduled flight passengers, yields fell by 0.2 per cent in the third quarter. Yields are the average amount paid by each passenger for each kilometre flown. The fall was the result of the slowdown in the growth of pre-mium traffic, the negative effect of exchange rate movements and price competition.

The third quarter profits figure for the period ended December 31 brought nine month pre-tax profits to £443m. up 47.7 per cent from £300m m 1993-94 period. Turnover for the third quarter increased 8.2 per cent to £1.66bn, bringing the nine-month figure to

Fund desertions hit Henderson

By Norma Cohen, Investments Correspondent

Henderson Administration, the UK-based fund management group, yesterday issued a profits warning, saying that mediocre investment performance had led to "significant" desertions of key pension fund

The company declined to be drawn on the extent of the funds outflow, but analysts estimate that nearly £2hn (\$3.12bn) of Henderson's £5.3bn in pension assets as of its last financial year end on March 31 1994 could have gone. Pre-tax profits for the year are likely to be below the £20.3m in 1994. Its shares closed 63p lower at £10.13p.

Separataly, Mr Jeremy Edwards, long-time managing director at Henderson, said he may retire as soon as a successor is found, rather than wait until the end of 1996 as origi-nally planned. He had been joint managing director from 1980 and managing director

"If we find my successor, I may well step aside," Mr Edwards said, adding that the search, which has been going on since last year, is "well under way." Pension consultants say that

Henderson's difficulties are symptomatic of the increasingly competitive environment for fund management in the UK. As pension scheme surpluses erode, companies are increasingly seeking high investment returns to offset the need for corporate contri-Henderson has been fighting

an outflow of pension clients due to poor performance for several years. Despite several changes of fund managers, investment returns over three and five years are just straddling the median. "If you haven't got above-median results for three or five years, you are out of the frame", Mr Jeremy Edwards, the group's managing director, said. Results for 1994 would be "only marginDoubling of raw material costs in six months blamed

British Polythene moves Telford output to China

Britisb Polythene Industries, Europe's largest polythene film producer, is to close its Alida Polysack plant at Telford, Shropshire, in May and shift half its output of plastic carrier bags to China. Mr Cameron McLatchie.

chairman and chief executive, said nearly half the plant's production of 25m bags a week would be shifted to a new facility at Kinhvi in Guangdong province, along with Telford'e plant and machinery. The rest would be taken up by existing facilities in the UK. He said the plant had suf-

fered from a doubling of raw material prices over the past six months along with pressure from retailers to cut prices.

director of the retall division.

said the decision was taken last week after an unnamed large multiple retailer cancelled its account for polythene bags in favour of an Asian supplier. The order was equivalent to 25 per cent of the plant's turnover of £10m to £11m. He said that while the loss of

increase in the price of high density polyethylene, the basic polymer used in plastic bags, which had risen from \$400 to £750 per tonne since August. Alida Polysack was bought from Sonoco Products of the US, a rival plastic bag manufacturer, in March 1993 for

£8.4m at about the same time

that BPI was discussing

an account was nothing new it was combined with a rapid

The group had been in contact with China's High Point Corporation, a state-owned conglomerate, and eventually agreed to set up a joint venture company called Xinhni Alida Polythene to manufacture lightweight plastic bags. Mr McLatchie said BPI was the first European investor to enter China's polymer film market and initial production

Under the 25.5m joint ven-ture agreement BPI owns 60 per cent of the company, providing the expertise and technology, while High Point, with the remaining 40 per cent, provides huildings and help with

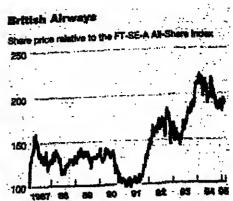
of 15m bags a week would

British Airways

LEX COMMENT

British Airways' core business is a model of its kind in spite of highly competitive operating conditions, third quarter pre-tax profits were yet again ahead of expectations. True, the results were flattered by low fuel costs, but the company continues to cut costs with extraordipary consistency. Since the Gulf war it has achieved annualised savings of £750m and is promising a further £150m next financial year. BA's problem is that, though it is managing its core operations impressively, the group's record as a corporate investor is mixed. Qantas may be performing powerfully, but TAT in France and Deutsche BA are set to lose about 280m this financial year. USAir's performance is disastrous: it lost \$649m last year and has failed to conclude cost-cutting negotiations with its mnions despite 10 months of talks. BA may claim \$100m worth of synergy benefits from its 22 per cent stake, but the chances are BA will be forced to write down its \$400m

BA's shares trade at a 25 per cent discount to the UK market on a price/earnings basis. At this stage of the cycle the atribe's earnings momentum must slow. Some sort of discount



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is appropriate, though probably not as large as this one: a small rerating may be justified. However, those looking to invest in European airlines may find Lufthansa and KLM better value. Both are cheaper than BA on cash flow multiples and arguably have greator scope to cut costs because they started later.

Bodycote

considers

disposal

Laura Ashley expects £35m charges in latest reorganisation

By Nell Buckley

Laura Ashley, the clothing and furnishings group, has launched another management reorganisation which will incur £35m (\$55m) charges and 200 job losses.

The exceptional costs will take the company well into the red for the year to the end of January Before the charges, analysts had been forecasting pre-tax profits of about £6m compared with £3m profits on urnover of £300m in 1993-94. It will be Laura Ashley's fourth loss after exceptionals since 1990. In the past four years the group has undergone lmost constant reorganisa-

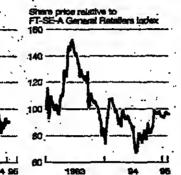
Mr Hugh Blakeway Webb, chairman, insisted the latest moves would lead to annual savings of £10m, returning Laura Ashley to "more satisfactory levels of profit".

The reorganisation involves dimming down Laura Ashley's North American and continen-tal European head offices in

Laura Ashley 200 198586 88

Eindhoven in the Netherlands, bringing those regions under the control of one worldwide headquarters in Berkshire. Laura Ashley is making a managed exit" from its small,

lossmaking business in Australia, and plans to replace 40 smaller stores in the US with 20 larger ones. Manufacturing will be a stand-alone business. Accounting changes, espe-



Boston, Massachusetts, and cially tougher treatment of depreciation, will account for £10m provisions and reduce the group's base profitability by about £3m.

Laura Ashley did provide some good news yesterday. In the eight weeks to Christmas like-for-like sales increased 18 per cent in the UK and Ireland 2 per cent in North America and 7 per cent in continental Europe.

BNP sells £1.5bn mortgage book its branch offices.

Halifax Building Society has completed the purchase of the centralised lending business of Banque Nationale de Paris, acquiring £1.5bn (\$2.34bn) in mortgage assets.

Tha acquisition, which amounts to about 0.5 per cent-of the total UK martgage mar-ket, was made by Halifax Loans, the society's wholly owned subsidiary. As a result, Halifax Loans' total mortgage assets will rise to £2.7hm. This is the first time that

Halifax, the UK's largest mortgage lender, has acquired a centralised lender. It plans to use the business, which will be called Halifax Mortgage Ser-vices, to address the introducer market - business gained through mortgage brokers and offer products distinct

CMG to delay

The purchase follows the

purchase by Abbey National, the UK's second-largest mort-gage lender, of Housebold Mortgage Corporation to distribution.

Halifax said it would honour the terms and conditions of existing BNP borrowers. BNP customers on the standard variable rate pay a different rate than Halifax customers. Halifax's current rate is 8.35 per cent, while BNP's rate is 8.47. Before last week's UK interest rate rise, BNP's rate was 7.97 per cent and the Hali-fax rate was 8.1 per cent.

"Wa are not saying we will never bring the rates in line but from day one we won't," said Mr Colin Duggleby, managing director, Halifax Loans.

talks which might lead to the disposal of its 56.74 per cent stake in EHCO-ELM for FI 43 a

share, valuing the holding at Fl 25m, writes Peter Pearse. EHCO makes career apparel and personal protective clothing, including special project clothing and military uniforms. Its sale will reduce Bodycote's operations to metal technology and packaging.

EHCO-KLM

Bodycote International is in

Bodycote floated the minor ity stake on the Amsterdam market eight years ago. The shares were suspended at Mr Joe Dwek, chairman,

said he bad had several approaches - all Dutch - but that Koninklijke Borsumij Wehry, a trading company based in the Hague, made the "best approach".

JBA sales rise

JBA Holdings, the software company, saw sales in 1994 grow to more than £90m, overtaking the 1993 figure of £74.5m, writes Motoko Rich. Mr Alan Vickery, chairman,

is due to give the information today at the JBA 1995 software sbow in Strat-ford-upon-Avon. He will also say that sales at the company's North American subsidiaries grew by more than 50 per cent, and that the company invested about £15m in product development during 1994, against £11m in 1993.

Division Group

Division, the Bristol-based virtual reality computer technology group, yesterday reported pre-tax losses of £1.44m on turnover of £5.27m for the year to end-October.

The ontcome, which compared with a pre-tax deficit of £503,000 on turnover of £2.08m last time, was in line with the forecast issued at the time of the rights issue in

During the year Division established a strategic alliance with Hewlett-Packard, the second-largest computer manufacturer in the US. This alliance provided the group with access to a world-wide market base of potential users in one

A Fisher expansion Albert Fisher, the food pro-

group, is participating in the management buy-out of Aqua Star, a wholly owned subsidiary of BP Nutrition, to create Fisher is to invest \$5.4m into

a new partnership together with an investment of net assets of \$3.6m by the management of Aqua Star. The partnership represents a

significant expansion of Albert Fisher's seafood operations into the US. Aqua Star, based in Seattle, imports, processes and distributes salmon, shrimps and shellfish in the Aqua Star, which had sales

of \$151m and operating profits of \$3.3m for the year to December 31, was one of the last remaining natrition businesses still to be sold.

The new business will have bank borrowings of \$22m.

Volex purchase Volex Group is paying

25 per cent of Mayor, its Sing-apore-based cable assemblies subsidiary, from Mr Jay Pok, the former owner. Consideration will be satis-

fied by the payment of \$33.2m in cash and the issue of 1m Volex shares. These are being placed at 369p per share.

Saatchi Management buys damages hold-up

By Diane Summers. A management team from Marketing Correspondent

A \$50m damages claim by Saatchi & Saatchi, the turbulent advertising group, against the former chief executive of its North American advertising network has been beld up in the US courts, pending the outcome of UK legal action.

Judge Herman Cahn ruled in the supreme court of the State of New York yesterday that the case against Mr Bill Muir-head could be heard in the US, but should follow separate proceedings against him and other former Saatchi execu-Court in London tomorrow

Crompton Lighting provided £13m, and the Bank

Crompton Lighting has paid 224.2m (\$37.8m) to buy the UK lighting business and its distribution companies in Australia and New Zealand from BTR, the industrial conglomerate.

A three-man buy-out team led by Mr Graeme Brook, Crompton's chief executive, raised £26.2m for the purchase, of which BTR will retain about £2m in cash. 31, the venture capital group,

of Scotland in Leeds provided £14.5m in senior debt facilities. Crompton, which was bought by BTR in 1991, employs 500 people and had sales of £32m in 1994, of which its Australian and New Zealand marketing distribution offshoots accounted for some 20 per cent.

The company was part of BTR's control and electrical systems operations, a sector which made a pre-tax profit of £214m on turnover of £1.08bn

plans for listing By Alan Cane

Computer Management Group, one of Europe's largest privately beld computing services companies, is to delay plans to seek a Stock Exchange listing because of poor market senti-

Mr Douglas Gorman, chairman, said disappointing results from computing services companies in recent weeks had damaged market confidence in the sector. "In these circumstances, we

have decided not to float in spring 1995. However, with a solid 30-year trading record

in conjunction with our financial advisers, does not hinder our business plans for 1995 and we continue to keep all future options open". CMG's financial adviser is

Kleinwort Benson. The decision to delay setting a date for flotation follows a string of poor results and profits warnings from companies which have come to market over the

McDonnell Information Systems, a services company with a sound financial track record prior to flotation, has issued two profits warnings in

Companies say they are still trying to cut prices and sell capacity Generators promise dividend rises

ally" helow the industry tives due to start in the High



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Project Finance Facility

By David Lascelles National Power and PowerGen

are promising strong dividend increases ahead of the sale of the government's 40 per cent staka in each company this According to the pathfinder

prospectus, issued yesterday, National Power expects to raise its dividend by 24 per cent this year, and PowerGen by 18 per cent. All investors who buy shares in the sale will qualify for dividends, even though they will only have to pay for their shares to instal-The strong increases reflect

the fact that both Netional Power and PowerGen will be buying back up to 8 per cent of their own shares to the sale, so the total available for dividends will be spread among fewer shares. However, the two generation companies also have a policy of reducing divi-

The prospectus also highlights the uncertainty they face from the risk of referral to the Monopolies and Mergers Commission by Professor Stephen Littlechild, the industry regulator, over their undertakings to keep electricity prices down and sell off a portion of their capacity. Prices have soared recently, and neither of



John Baker, left, and Ed Wallis: believe that the chances of a monopolies referral are remote

the generators has sold any Prof Littlechild will be considering these issues to see whether a monopoly inquiry is called for

The two companies state in the prospectus that they are still trying to meet these commitments, but events are not totally within their control. Mr John Baker, National Power's chief executivs, and Mr Ed Wallis, his counterpart at PowerGen, said yesterday that ths chances of a referral seemed remote. The government will retain a

5.280

1553

giving it power to veto a take-over. The deadline for private investors to register for the sale with a share shop is February 14, shead of the issue launch on February 16. Appbcations must be in by noon on

day. The minimum investment

special share in each company, mum cost of about £1,000 (\$1,560), of which £352 will be payable on application.

The timetable for the international tender offer that will run to parallel for institutional investors will have a bid deadline of March 3. This will deter-

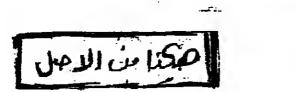
mine the price of the sale, and the UK public offer will be priced at a discount to

11.1

Pricing and the basis of allocation will be announced on March 6 and trading in the new shares will begin the same

Payment will be in three instalments timed to fall in difwill be 200 shares, comprising 120 National Power and 80 PowerGen. This implies a mini-

ferent tax years; the first is due on application, the second on February 6 1996 and the third on September 17 1996.



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Wave of selling takes LME prices for dive

By Kenneth Gooding, Mining Correspondent

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EXTENSION OF STREET

Prices on the London Metal Exchange in early trading yesterday plunged under pressure from a fresh wave of selling by speculators and investment

Some bargain hunting helped to steady the markets by the close in London but all the metals were still showing substantial price falls. Nickel and lead were hardest hit, each ending more than 8 per cent down. The LME's two most heavily-traded metals, alumin-ium and copper, fell by 3.8 per cent and 2.29 per cent respec-

Many analysts suggested that metal prices had risen too far too fast and were in need of a correction before moving up again more steadily.

Body cor

This was a corrective move rather than a change of direc-

Billiton Metals, part of the Gencor group. Physical demand for all the LME metals Physical was very strong and economic recovery in Europe and Japan was more than compensating for slowing growth in the US.

However, Mr Nick Moore, analyst at Ord Minnett, an associate of Jardine Fleming, insisted that, while the price fall was "a much needed dose of sobrlety," it was not just a correction but "a de-rating of metal prices." He suggested that prices might fall by 20 to 30 per cent from the peaks they reached in mid-January. But this would still be very profit-

able for metals producers.

Last night in London copper for delivery in three months closed 8.76 per cent below the 5% year peak of US\$8,081 a tonne it touched last month;

aluminium was 6.87 per cent

don told Reuters. World benchmark North Sea Brent Blend crude futures for March delivery by early-afternoon reached a high of \$17.35 a barrel, a 15 cent increase on top of Friday's late gains. \$17.25 but were still at tha highest level since the end of

ing and that a bond market rally was imminent.

were also battered by fund and

speculator selling. However, in

contrast, oil prices hit new

highs for the year yesterday in a rally sustained by the first

cold snap of the northern

hemisphere winter to hit the US. "Forecasts for the next

fortnight indicate tempera-

tures well below the norm and

that's good for heating oil demand," Mr Peter Gignoux at

brokers Smith Barney in Lon-

Trying for a soft landing in Geneva

Kieran Cooke reports as natural rubber prices hit a 40-year peak

the region's commodity per cent below its 51/2 year peak. Mr Jim Lennon, analyst at Macquarie Equities, part of busier. Palm oil and tin markets are bullish, but the sec-tor's star performer is rubber. the Australian banking group, said the sell-off seemed to have The price of natural rubber has been started by Friday's US risen by nearly 40 per cent during the past year to stand near employment statistics which levels not seen since the early were seen as indicating that US economic growth was slow-

Whether or not the present prices are sustainable is not just a matter of debate among commodity brokers. Arguments over pricing are also likely to dominate a meeting of natural rubber producers and consumers in Geneva this

The talks, which began yes terday, are being held to final-ise details of a new interna-tional natural rubber agreement (Inra), the world's only surviving international

commodity pact.

Inra seeks to stabilise the market through buffer stock operations, with prices of natu-ral rubber allowed to swing moderately within a fixed range, centred on a reference price. The reference price determines when the buffer stock manager can intervene in the market to boost or cool

down prices. market trends should dictate events. They should now abide

sia's stock markets are in the doldrums but sia, which together produce more than 70 per cent of the world's natural rubber, argue that the reference price must .. be raised in order to reflect the recent surge in prices.

Consumer countries, the big tyre companies, say the price increases are only a tem-porary phenomenon and hould not be used to establish higher prices over the long

Producer countries want at least a 5 per cent rise in the reference price, arguing that it has remained virtually unchanged since the late 1970s. They warn that if this is not achieved. Inra could collapse. leading to increased market speculation and price volatil-

Producers are keen on signing a new agreement but it won't be at all costs." says Mr Ng Kok Tee, deputy chairman the Malaysian rubber exchange licensing board. "The present market trend is a clear indication that the reference price should be raised. Con-

by what they have said." In September 1993 the inter-

national natural rubber organisation's five-day moving average stood at an eight-year low of 156.31 Malaysian/Singapore cents a kilogram. By early 1994 prices had risen to 171.66 Malaysian/Singapore cents a kilogram. The five-day moving average price is now more than 350 Malaysia/Singapore cents a kilogram.

Traders say that bulk pur-chases by China from July 1994 onward have been the main reason for the price surge. Traders estimate that China's 1994 natural rubber imports were up more than 50 per cent on the previous year.

Chinese buying will not be sustained; they also say that speculators have been heavily involved in the market. In some cases there have been defaults on contracts and sudden plunge in prices is pos-

Consumers point to a number of factors likely to sustain present price levels. They say that demand from overseas buyers, particularly in Europe and Japan, remains strong in spite of the high prices. The fall-off in production in southeast Asia, caused by the pres-ent "wintering" of rubber trees, means that supplies will remain tight.

Further supply cuthacks could be caused by flooding in rubber growing areas of Indonesia, the world's second biggest producer after Thailand. A stockpile of about 220,000 tonnes of natural rubber held by the buffer stock manager has been exhausted in the fight to atabilise prices: market forces and not the activities of the buffer stock manager are now controlling prices.

More broadly, the producers point to the restructuring of south-east Asia's economies. The economies of Malaysia and Thailand are industrialising fast and are no longer as dependent as they once were on natural rubber and other commodities. Many Malaysian rubber farmers have either sold off their land for indus-trial development or have been forced to abandon production due to labour shortages. Low prices in the early 1990s also encouraged a switch to the

more profitable palm oil. Malaysia's natural rubber output has been steadily falling: from 1.66m tonnes in 1988 to 1.1m tonnes in 1993 and an estimated 1.02m tonnes last year. Smallbolders, who

account for about 70 per cent of Malaysia's total production. show few signs of rushing to

increase output Mr Mohamad Nor Maidin the secretary general of Malaysia's national association of smallholders, says recent price increases have led to only mar-

ginal growth in output. But while consumer countries at Geneva are likely to have these arguments force-fully presented to them, pro-ducer countries are loath to abandon attempts to form another Inra. They realise that big price swings which could be the result of a free rubber market would burt producers

just as much as consumers. Producer countries have also been making substantial investments to develop downstream rubber processing industries. Malaysia is now both rubber exporter and importer - a producer and a consumer. In the first seven ral rubber imports increased by more than 50 per cent com pared with the same period in the previous year. "The end of Inra has been threatened many times," says a Singapore-based rubber trader. "Each time both sides pull back from the brink. The same thing will probably

sea rigs predicted

By Karen Fossii in Osio

The North Sea rig market will experience an upturn in 1995 after a two-year lull, led by increased demand to accommodate greater activity in the UK sector, according to a report by Wood Mackenzie, the Edinburgh-based energy con-

Activity will pick up more slowly in Norway, however, as usage becomes constrained by a limited supply of suitable rigs. WoodMac foresees utilisation rates for semi-submersible rigs approaching 100 per cent by summer and averaging around 90 per cent for the year. North Sea demand for semi-submersibles is expected to increase by 28 per cent in

Growth in | Canadian drill site dispute

By Bernard Simon in Toronto

A group of aboriginal Canadians has demanded the eviction of Vancouver-based Diamond Fields Resources from a promising nickel and copper exploration site at

Voisey Bay, Labrador.

Members of a local Imma
community, which claims
jurisdiction over the area, disrupted work at the site over the weekend, and are now in a stand-off with police. Diamond Fields and its partner Archean Resources said that they plan to apply for a legal injunction. Diamond Fields released new drilling results yesterday from Voisey's eastern section which it said pointed to higher grades than previous samples from the western end.

Precious Metals continued

M GOLD COMEX (100 Troy oz.; \$/troy oz.)

Call for new green scheme to boost world crop yield By Deborah Hargreaves

The world urgently needs another green revolution to give a dramatic boost to crop yields if it is to feed the growing population over the next 10 years, according to Mr Ismail Serageldin, chairman of the Consultative Group on Interna-tional Agricultural Research, sponsored by tha World Bank. At a meeting in Lucerne on Thursday with government

ministers and research agen-

cies from around the world,

the CGIAR will argue for a

more co-ordinated approach to

combat world bunger. It will also try to agree an interna-tional agenda for priority issues.

"There is an unwarranted complacency about the future food situation, because most countries have abundant food supplies now," Mr Serageldin

But he points out that 700m people are still hungry and the world's population is set to grow at a rate of 85m people every year for the next 20 years. The CGIAR spends \$272m a year on research which it says is a very small portion of most countries' overall aid budgets.

Although Mr Serageldin is wary of calling for more funding at a time when international agencies such as the World Bank are being criticised for excess spending, he points to the importance of maintaining current levels of expenditure.

Mr Serageldin says the next farm revolution needs to be "doubly green" to take into account environmental considerations as well as the need to boost crop yields. India's green

revolution in the 1960s and 1970s placed a beavy emphasis on wide scale use of fertilisers

to increase yields. But farm researchers are now looking at ways of improving crop breeds so that they require fewer resources and lower applications of chemicals and pesticides.

The CGIAR which is supported by 40 donor countries, wants to play a greater role in disceminating agricultural research information. "We are in a race with time, to develop the appropriate technology, said Mr Serageldin.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,0000bs; cents/lbs

Demai	nd Increasing	g faster th	an yi <u>eld</u>	S
Crops	Deman	d for food*	Y	Telds†
	Today	% change 20 years	Today	% change 20 years
Bananas	37,17S	+ 46.7	11.1	+14.2
Barley	31,554	+ 79.2	1.3	+22_4
Cassava	129,011	+ 39.5	9.7	+16.7
Food legumes	31,275	+ 32,1	0.7	+13.2
Maize	142,601	+115.0	2.6	+72.1
Millet	23,524	+ 28.1	0.7	+12.4
Plantains	26,937	+ 29.4	5.7	-12.9
Potatoes	49,523	+115.2	12.7	+24,6
Rice	314,125	+ 71.1	3.5	+52.0
Sorghum	42,630	+ 54.4	1,1	+18.3
Sweet potatoes	42,169	+ 36.7	13.5	+20.4
Wheat	188,445	+ 97.3	2.4	+96.1

COMMODITIES PRICES

BASE METALS M ALUMINIUM, 99.7 PURITY & per tonne

2043-6

AM Official Kerb close	2015-8	2059-80 2050-1
Open int.	229,344	2000-1
Total daily turnover	73,918	
M ALUMINIUM ALL	OY (5 per tonne	*)
Close	1955-60	1995-2000
Previous	1990-2000	2030-40
High/low	1995/1980	
AM Official	1940-50	1965-90
Kerb close Open Int.	2.676	1965-65
Total daily turnover	586	
II LEAD (\$ per torms		
Close	556.5-7.5	578-7
Previous	612.5-7.5	632-3
High/low		607/588
AM Official	55 9-6 0	579-9.5
Kerb close	37,851	596-7
Open int. Total deliv turnover	12.894	
M NICKEL (S per tor		
	8735-45	8890-900
Close Previous	9530-40	9695-705
High/low		9210/8700
AM Official	8745-50	8899-900
Karb close	57,253	8895-905
Open int. Total daily turnover	20.386	
III Tibl (\$ per tonne)	20,000	
	5490-500	5580-90
Close Previous	5800-10	5685-700
High/low	4000 .0	5675/5525
AM Official	5490-500	5580-DO
Kerb close	22,800	5580-70
Open Int. Total daily turnover	5,865	
ZINC, special high	h grade (\$ per	tonne)
	1028-7	1053-4
Close Previous	1105.5-6.5	1132-3
High/low		1105/1035
AM Official	1023-4	1050-1 1058-8
Kerb close Open int.	100,621	1030-0
Total daily turnover	45,496	
COPPER, grade /	(S per tonne)	
Close	2818-9	2814-5
Previous	2883.5-4.5	2880-1
High/low	2810/2809	2845/2780 2805.5-8.6
AM Official Kerb close	2809.5-10	2811-2
Open int.	233,917	
Total daily turnover	79,290	
M LIME AM Official	2/\$ rate: 1.550	\$ 7
LME Closing 2/5	rate: 1.5593	
Spot:1.5806 3 mths:1.550	7 8 阿蘭地 1.5564	9 milis:1.5539
HIGH GRADE CO		
,	PPER (CAMEN	
Day's		Open

PRECIOUS METALS 375.00-375.40 375.25 374.50 375.90-376.20 374,50-374.90 d Lending Rates (Vs USB) Loco Lds Me US cts equiv. 489.50 475.95 483.80 501.40 p/troy 52. 300.85 305.35 310.80 323.20

\$ price 376-379

Gold Coli

£ equiv. 241-244

High tone first Vol. 376.8 376.8 2,196 1,126 PLATHRAM NYMEX (50 Troy oz.; \$/troy oz.) 412.8 -1.2 414.0 411.0 16,209 1,868 416.0 -1.6 416.5 414.0 4,519 276 420.0 -1.6 420.5 420.5 1,103 172 423.7 -1.6 - 190 29 PALLADRIM NYMEX (100 Troy oz.; \$/troy oz.) IN CRUDE OIL IPE (\$/berret) M HEATING COL MYMEX (42,000 to galls; c/US galls) | Latest | Bay's | Dynam | price change | High | Lev | Int | Vol | 49.50 | 40.50 | 19.544 | 49.50 | 40.50 | 10.515 | 6.505 | 49.50 | 49.50 | 10.517 | 2.335 | 49.10 | 49.50 | 49.50 | 10.517 | 2.335 | 49.10 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 49.50 | 0 9,226 2,286 0 4,204 122 116,519 33,686 148.25 47.75 169.00 55.581 148.75 +1.25 167.75 169.00 55.581 148.75 +1.25 150.00 148.25 24.016 149.10 +1.00 150.75 149.25 17.005 149.10 +1.00 150.75 149.25 17.005 149.10 +1.00 150.75 160.00 8.802

151.75 +1.00 151.75 151.75 2,717 Latest Coy's price change High 1,520 +0,048 1,548 1,548 1,535 1,535 +0,026 1,536 1.546. 1.520 28,848 20,721 1.536 1.515 15,198 5,981 1.550 1.525 12,312 3,139 1.570 1.583 10,589 1,586 1.365 +0.023 1.570 1.583 10,389 1.800 +0.023 1.800 1.390 11,068 1.815 +0.013 1.825 1.805 9,111 57.25 13.947

GRAINS AND OIL SEEDS COCOA LCE (E/torme) WHEAT CET (5,000bu min; cents/60th bushel) -2/4 37/46 369/0 34,553 8,465 +1/0 363/0 359/0 13,766 5,031 +2/4 340/2 335/4 19,865 2,644 +2/0 344/2 34//0 1,343 22 +3/0 34//4 350/6 623 52 +2/4 15 2 70,511 17,246 ■ MAIZE CBT (5,000 bu mix; cents/58b bushet) ■ COCOA (ICCO) (SDR's/tonne) 102.80 +0.25 - 288 184.15 +0.15 - 00 67.15 +0.40 97.15 67.15 75 99.00 +0.25 98.00 98.00 239 100.50 +0.50 100.25 100.25 11 101.80 +0.40 - 98.00
 550/4
 +3/5
 551/4
 546/6
 58,681
 13,699

 5396
 +3/6
 560/4
 556/2
 32,139
 4,261

 568/4
 +40
 557/0
 563/0
 30,713
 3,809

 569/0
 +3/6
 565/2
 3,574
 168

 570/6
 +3/6
 570/6
 557/4
 2,772
 130

 578/4
 +3/6
 578/6
 575/0
 16,589
 2,038
 COFFEE (ICC) (US cents/pound) 28.58 +0.23 25.75 28.32 36.927 12.852 25.67 +0.06 25.98 25.72 25.356 4,778 25.55 +0.07 25.66 25.38 16.763 3,477 25.11 +0.15 25.09 24.95 4,742 436 24.88 +0.19 24.95 24.70 5,682 276 101,657 24,006 155.0 +0.8 155.4 154.0 34.170 8.463 188.2 +0.8 158.6 157.1 23.371 3.661 182.2 +1.0 162.3 160.9 18.663 2.095 184.1 +1.0 164.1 163.0 5.914 44 185.8 +0.9 165.8 164.8 4.239 226 167.3 +1.0 167.5 168.2 7.346 352 101.403 14,023 -1.0 344.0 336.0 1,053 105 55 -1 1980 1950 392 -24 1985 1951 253 -5 1975 1950 1,251 -3 1740 1720 594 - 1745 1745 479 -15 - 00 Feb Mar Apr Joi Oct Jan Total 1963 1961 1960 1785

Tea.
There was an improved demand, reports the Tea Brokers' Association. The small quantity of Assims on offer met good competition at firm to dearer rates. Brightest east Africans advanced but lighter liquoring tess were imputar and on belance slightly easier. Coloury mediums were a good feature and prices gained several pance, while lesser mediums tended 1 to 2 pence lower, Caylons were generally dearer particularly brighter types. Offshore: good demand. Ceylons appreciated, while Africans remained firm. Quotations: best available 150p/kg, good 122p/kg, good medium 114p/kg, medium 95p/kg, law medium 85p/kg. The highest price realised this week was 151p/kg for a Kerya pf.1.

LONDON SPOT MARKETS 91.52 - 9.22 9.240 90.85 24,711 7.107 90.45 40.56 91.25 80.20 17.014 3,578 88.70 +0.61 80.50 87.53 13,549 2,530 79.10 -0.15 78.85 78.70 4,423 387 74.23 +0.29 74,45 74.00 15,075 612 75.42 +0.37 75.50 75.20 1,704 55 76,844 14,871 071) 359 879 Gold (per troy ox) Platinum (per troy 02.) Palladium (per troy 02.) \$413.50 \$157.50 139.00c Copper (US prod.) 105.50 +0.50 105.70 100.50 18,398 2,384 109.50 +0.30 109.50 105.25 4,260 948 113.50 -4.25 113.50 108.50 1,157 78

2,800 108 2,025 27 992 99 27,810 3,898 VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CME, CSCE and IPE Caude Oil are one INDICES

114.50 -0.25 113.75 113.75 2,025 116.05 -0.25 - 992

13.97 -0.51 14.03 -0.47 14.40 -13.53 -11.95 -

R CRS Futures (Sees. 1967-100)

LONDON TRADED OPTIONS ■ Oil PRODUCTS NWEprompt delivery Car (forme) Lead (US prod.) Tin (Kusia Lumpu) -0.17 -3.00 262_50g \$351.4 \$399.7 £339.0 Lon. day sugar (vita) Lon. day sugar (vita) Tato & Lyle export Barley (Eng. feed) Makze (US No3 Yellow) Wheat (US Dark North) £110.0 Coconst Oil (Phil)\$
Paim Oil (Malay.)\$
Copra (Phil)\$
Soyabsars (US)
Cotton Outlook'A' in +5.0 +2.5 +6.0 +1.0 E per tenne uniess otherwise street. p percentig, o centa/for ringolitig, m Malaysten centarig, t Mer. y MeriAgr. q Feb. Apr ♥ London Physical. 5 CF Roberdem. ♣ Bullion market closs. ♣ Shapp Bullion tentral proces. ♣ Change on week € Priose are for previous der.

Of broking and jobbing the Pelikan's fond. See how sweetly he puts your word onto bond. **JOTTER PAD**

CROSSWORD

No.8,680 Set by GRIFFIN

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			П						12				
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A	ccoi	A	CRO	SS COM	ume	ed .	a	1 S1	igge	D	OWN	ctor	oted

banger and a biscuit (8)
5 Man half decapitated by

9 In the wings, perhaps, with 10 Attempts to get 75% less without authority (6) 11 Garment I designed for one moving abroad (8) 12 We continue to reverse Beetle

pecan pie (6) 23 Not manufactured overseas,

24 Sell 50% more on train (6)

resort (8) 26 Respectable skinhead leaves a

against leaving (6) 2 First consignment leaving in stiff cootainer (6) 3 Sharp reply from awful rotter 4 Making arrangements for har-monium one has to croon (10)

6 Radio fan set oui in vessel (8) 7 Back survey's description of motorist's mirror? (4-4) 8 Does turn dead miserable (8) 13 Meal ruined by one less vio 18 Way athlete gets the bird (10) lent but malicious (10)
22 Toast with topping and a 15 Having kipper to pierce poker is picked up (8) 16 Attractive tinge new in rain 17 Travelling into Peru is rasb

19 Hat a fellow travelled in 20 Vehicle going up hill needs 21 "Married in a rush last May

Solution to Saturday's prize puzzle on Saturday Pebruary 18. Solution to yesterday's prize puzzle on Monday February 20.

INTERNATIONAL CAPITAL MARKETS

Good reception for \$400m IFC issue

The euromarkets yesterday in the 10-year sector was the saw the biggest dollar bond issue since the rise in US interest rates last week, with the International Finance Corporation, the World Bank affiliate. raising \$400m.

INTERNATIONAL BONDS

Syndicates also saw a threetranche deal from the Bank Nederlandse Gemeenten aimed at different investor bases, and an offering from Volvo which lead manager Dresdner Bank put into syndicate without the fixed re-offer price mechanism. The IFC 10-year bonds came at 27 basis points over the comparable Treasury via SBC and BZW, which said the deal had

The last dollar fixed-rate issue callable from Fannie Mae on January 17. Some of the IFC bonds were being held back for overnight sales into Japan,

said BZW.

The three-tranche deal from BNG was the first from ABN Amro Hoare Govett after its renaming, and involved bonds of \$250m, SFr150m and Fl 500m, all at the 10-year maturity. The proceeds were swapped into fixed-rate guilders. In spite of the same matu-

rity, ABN said there was no overlap between investors targeted by the different issues. The Fl 500m deal was aimed at Dntch and Benelux retail investors, while the SFr150m offering was targeted at Swiss institutions. The \$250m of bonds, which came at 30 basis a good reception from central points over the comparable

and the Middle East.

Volvo Finance Corporation, which is unrated, brought its first D-Mark deal when it raised DM250m with a five-year phone, which is rated AAA, parable bund.

Treasury, received a good offering priced at 55 basis raised DM400m with 10-year reception in Hong Kong, Tokyo points over the comparable bonds via Paribas and Deutjust DM15m of bonds. Nippon Telegraph and Tele-

bund. Lead manager Dresdner sche Bank, which said it had Bank said it had bought back bought none back from syndicates. The bonds were brought at 15 basis points over the com-

	NEW H	NTER	OTA	NAL B	QND	ISSUES	
Bottower US DOLLARS	Amount m.	Coupon %	Price	Meturity	Fees %	Spreed bp	Book runer
Intl. Finance Corp BNG	400 250	(a) 7.875	(a) 99,41R	Feb.2005 Mar 2005	0.325 0.325R	(a) +30(W 10yr)	BZW / SBC ABN Amyo Bank
YEN OSL*	10bn	4.45	99.8687	Mar 2002	Undec	-	Sekura Finance
D-MARKS NTT Volvo Corp. Pinance	400 250	7.125 7.50	99,90F 102,00	Mar 2000 Mar 2000	0.25R 2.50		Deutsche Bk. / Paribas Dreadner Bank
SWISS FRANCS OKB BNG	300 150	5.275 6.376	102.80	Mar,2000 Mar,2005	2.75	:	Swiss Bank Corp. ABN Amro Hoare Goves
GUAL DERS BNG	500	7.75	99.45R	Mar 2005	0.325R	+23 (74%-05)	ABN Arro Bank
ESCUDOS Credit Local de Francetsk	15bn	(E)	100.35	Mar.2000			8PI

High-yielding European trio gains ground

By Graham Bowley in London and Lisa Bransten in New York

The high-yielding government bond markets of Italy, Spain and Sweden rose yesterday, as other European markets traded

Bond prices in Italy, Spain and Sweden moved higher and yield spreads over German bunds narrowed as markets stabilized and budget and political concerns reced-

The yield spread on Italian government bonds narrowed to 478 basis points over German bunds from 488 basis points on

In Spain, the spread narrowed to 430 to 415 basis points

over bunds. "People are becoming more comfortable about going into these markets to pick up extra yield," said Mr Michael Prat-

ten, senior bond strategist at

WORLD BOND PRICES

10.09 12.22 13.17 13.81 12.41 12.86 7.10 12.10 12.14 12.74 12.74 12.74 12.74 12.83 1

6.80 1012, 6 1017, 7.11 1083, 7.40 1083, 7.40 1083, 7.58 1083, 7.58 1083, 7.58 1083,

8.51 975 8.52 101 55 m 8.67 11855 8.71 10575 m 8.73 10572 m 8.73 1072 m 8.73 1072 m 8.83 1122 7.33 742

8.19 8.85 10.98 9.44 7.83 9.24 8.92 9.30 10.24 4.71

**** | **** | *

116% 103% 102% 102% 104% 104% 104%

PaineWebber.

■ Other markets pushed concern, traders said. higher early in the session on the back of gains in the US Treasury market on Friday. However, prices then drifted lower as dealers took profits

and US Treasuries opened weaker. Concerns over supply also weighed on markets. People are still concerned

about European markets and about where German interest rates are going," said Mr San-jay Joshi, chief economist at

■ German government bonds fell, with the March futures contract on Liffe back to 90.49 in late trading, down 0.06 point compared with Friday's close. The prospect of further supply at tomorrow's auction of government bonds caused some anxiety, dealers said. Details of the auction are

expected today. Lack of progress on wage talks in Germany also caused

This negative background of further supply and no prog-ress on the wage talks bald prices back," said Mr Adrian Owens, European economist at

GOVERNMENT

BONDS

French government bonds rose in thin trading volumes, supported by the strength of

the French franc. They outperformed the German market, with the March notional bond contract on Matif settling up 0.28 point, at 111.98 and the yield spread

■ Gilts ended the day flat, plagued by worries over weakness of the government. "Sterling was put under pres-

sure, which meant that sterling assets underperformed,"

Attention today will be on industrial production figures which economists are expecting to a show a rebound in production in December after falling in November.

In late trading, the long gilt future was up & st 101#.

■ US Treasury prices were modestly lower yesterday morning as investors took profits from Friday's soaring market and prepared for the sale of \$40bm in new securities later this week.

At midday the benchmark Matif settling up 0.28 point, at 111.98 and the yield spread over hunds narrowing to about 60 basis points.

30-year Treasury was down 1 at 984 to yield 7.638 per cent. At the short end, the two-year note fell 1 to 100 yielding 7.155 per cent.

There was profit-taking on yesterday'e markets in the wake of Friday's buying spree that saw the long bond gain more than 1½ point with its yield dropping to 7.62 from 7.74 late Thursday.

Traders also sold securities in advance of Treasury refund-ing operations. Today, the Treasury is to sell \$17bn in three-year notes with \$12bn in 10-year notes to be auctioned tomorrow and \$11bn in 30-year

notes on Friday.

The market paid little attention commerce department data that showed a decrease in the number of privately owned homes completed in December. In December bousing completions fell 1.6 per cent from a revised November figure that showed completions up 0.6 per cent. Previously, the department had said completions were down 1.3 per cent in

November. The yield curve held its shape as traders awaited more economic newe before deciding how optimistic to be about waning inflation.

Price Indices UK Gifts

Index-Bolosci

1 Up to 5 years (23) 2 5-15 years (22) 3 Over 15 years (8) 4 irredeemables (6)

FT-ACTUARIES FIXED INTEREST INDICES

Mon-

119.05 139.70 155,44 179.34

of \$600m is raised for Greece

By Martin Brice

Greece has raised \$600m on the international loans market in its second jumbo loan within a year.

SYNDICATED LOANS

The five-year loan carries a margin of 80 basis points over the London interbank offered rate (Libor), and has a grace period of 3% years during which the republic will repay only interest.

These are similar terms to the \$500m which Greece raised last May in the country's first loan under its new sovereign name, the Hellenic Republic. Greece had planned to raise \$500m with this latest loan but the response from banks led to it being increased to \$600m. A banker close to the deal said: "There was a lot of interest." This oversubscription reflects the success of other sovereign borrowers in the international credits market.

Spain raised Ecnebn at 8.75 basis points over Libor in May and Sweden raised \$6bn at 8 basis points over Libor in December. A DM3hm loan for Portugal at a price of 7.75 hasis points over Libor is in syndication among banks. International lenders are

keen to supply funds for sovereign borrowers because they are zero-weighted for capital adaquacy purposes, which means banks need not set eside capital against the loans. Joint bookrunners are Citibank and NatWest Markets. Some 21 banks have agreed to underwrite \$28.57m each. The loan will now go into syndication and is likely to be signed

in early March.

118.98 139.50 155.10 178.57 136.39

1,71 1,83 0,81 2,72 1,67

1,40 5 yrs 1,59 1S yrs 2,96 20 yrs

0.00 Up to 5 yrs

+0.04 +0.14 +0.18

Jumbo loan OMLX to extend flex contracts

By Richard Lapper

OMLX, the London-based occurities and derivatives exchange owned by Sweden's OM Group, yesterday stole a march on its rival, the Liffe. After being granted a licence by the stock exchange, OMLX

is launching flex options and futures on the FT-SE 100 index and other UK stock market

Trading in the contracts dubbed flex because they offer investors greater flexibility than traditional exchangetraded derivatives - will begin on Monday. The London International Financial Futures Exchange (Liffe), the UK's largest futures and options exchange, is planning to launch its own flex contracts in the first half of 1995.

Last year OMLX launched fler contracts on the FT-SE 250 index, on the OMX Swedish stock options index, futures indices and on 24 individual Swedish shares.

It is the only UK exchange to trade flex contracts, although these are traded on other international exchanges - including the Chicago Board Options Exchange (CBOE) and the European Options Exchange of Amsterdam.

Mr Lynton Jones, chief executive of OMLX, said: "In launching flex on the FT-SE 100 and the complete range of UK Series Indices we are demonstrating our strong belief that derivatives markets must respond in an innovative and progressive manner to the challenges and opportunities thrown up by the ovar-

the counter markets." Flex arrangements allow investors to customise terms of each contract - varying terms. expiration date and style of options and the index multiplier and expiration date of

futures. As well as the FT-SE

100 and FT-SE Actuaries 350. the contracts will also cover the 36 FT-SE 350 industry baskets. In total 41 UK series indices will be available in flex.

pation optin

 $g_{ij} = e^{-i\omega_i \mathbf{g}^2 \sqrt{N} \mathbf{g} t}$

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Andrew Control

And States

"They provide the flexible and customised attributes of OTC contracts with the guaranteed security of clearing and the price discovery mechanism of a recognised investment exchange," said Mr Jones. The OMLX will also clear

and settle the contracts. Mr Jones also said OMLX intends to delist the FT-SE mid-250 as a standardised con-tract. "The experience exchanges have had with trading the FT-SE Mid 250 as a standardised contract have led us to believe that certain products are more suitable for trading in flex format," he said.

Mr David Courtney, OMLX marketing director, atressed that the traders of the new products are guaranteed "total confidentiality and anonymity" by virtue of OMLX's phone and creen-based trading system. He stressed, however, that

the new flex products were not designed to win business from the exchange-traded market. The exchange is aiming its product, at least in part,

towards securities firms and banks whose credit ratings are not strong enough to permit extensive involvement in the over-the-counter market. "We are setting our stall to attract business currently

being done over the counter," said Mr Jones. "We don't want to suck volume out of the exchanges."

Liffe, meanwhile, said it has completed "comprehensive research" and is developing its own flex products. "Its been no secret that we have been working on these products for some time," said Ms Karen Forseke, director of equity products ast

OMLX was founded in 1989.

8.75 8.76 8.78 8.80 8.89 8.71

6.28 6.97 6.96

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DEST. 37.82

Feb 8 Feb 3 Yr. ago Feb 8 Feb 3 Yr. ago Feb 8 Feb 3 Yr. ago

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Feb 6 Feb 6 Yr. 400

BENCHMARK	GOVE	RNM	ENT BO	NDS				III BUND F	FUTURES	OPTIONS (LIFFE) DM	250,000 pc	inta of 1005	16	
	Coupon	Red Date	Price	Day's change	Yield	Week		Strike	14-		us —		4	PUTS -	
Australia	9.000	09/04	93,7300		10.09	10.10	ago	Price 9050	0.41	Apr 0.47	May 0.84		Aar Ap 36 G.S	_	1.28
Austria Austria	7.500	01/05	98.9500	+0.820	7.85	10.16	10,16 7,62	9100	0.18	0.31			64 1.21		1.59
Belglum	7.750	10/04	96.6900	+0.210	8.25	8.35	8.31	8150	0.08				03 1.66	8 1.80	1.93
Canada * Darmark	9.000 7.000	12/04	100.1500	40.300	8.97	9.30	9.07	Est, vol. sota	4, Calle 180	38 Pulls 1219	8. Previous	only a obest	nt., Culta 198	1745 Puts 13	7550
Prance STAN	8.000	12/04	88.1700 101.0900	+0.370	8.84 7.59	5.96 7.60	8.92 7.27	Shub.							
OAT	7.500	04/05	96.3400	+0.120	8.03	8.12	8.07	Italy							
Germany Bund	7,376	01/05	99.6900	-0.040	7.42	7.44	7.47			AN GOVT,		P) PUTUR			
ireland italy	8.250 8.500	10/04	83,4500 86,4700	+0.100	6,791	8.78 11.99	7.78 11.88	(Carrey				10.4	1	50.01	0
Japan No 116	4.800	06/99	103.0570	+0.170	3,99	3.76	3.88		Open	Sett price	-	High	Law	Est, vol	Open Int
No 164	4,100	12/03	96.3990	+0.030	4.66	4.68	4.54	Mar Jun	100.43	100,42	+0.31	100.70	100.26 99.60	31148	56456 888
Netherlands Dechard	7.250 8.875	10/04	97.8100 84.0000	+0.100	7,57	7.60	7.65							_	
Portugal Spain	10,000	02/05	90.6900	-0.700 +0.500	11.65 11.63	11.64	11.64 11.64		GOV1. B	ONED (STP)		OPIONS	THE LE	200ml 100	ns or 1007
Sweden	6,000	02/05	71,3190	+0.010	10.84	10.98	10,80	Strike			us		14	PUTS -	
UK Gitts	6,000	06/99	90-24	+3/32	8.53	8.55	8.46	Price		Mar	Ju		Mar		Jun
	8.500 9.000	12/05	99-16 103-18	+2/32	8.57 8.58	8.60	8.49	10000		0.86	1,8		0.44		2.17
US Treasury *	7,875	10/08	102-13	+1/32	7.52	8.58	8.47 7.78	10050 10100		0.58 0.38	1.4 1.2		0.66		2.43 2.72
	7.500	11/24	D1-38	-2/32	7.64	7,76	7.79			5 Purs 1984.					
ECU (French Govt)	6.000	04/04	84,8100	+0.230	8.43	8.51	8.52		•						
London closing, "New Yor			- 4			pesi mer	ket attenderd.	Spain							
† Gross fincluding withho Priose: US, UK in 32nds, o			cent balance	oh tritualist		ner MARS	& storentifered	III NOTION	IAL SPAN	ISH BOND	FUTURES	(MEFF)			
Liver ord rat at exclude o	A1-4-4 A1 COL.				.,		C WINTERSON TO SERVICE		Орил	Sett price			Low	E-4	Open int
								Mar	85.25	85.35	+0.89	High		Est. vol.	
								'yny	85.20	84.55	+1.07	85.58 85.20	85,15 85,20	45,478	48,497 652
US INTEREST	RATE	9						UK	00.20	-	41.07	00.20	43.24	31	OJE
		<u> </u>							AL 187 CO	7 0 00 00	e a 1000	DED 000 0			
Lunchtime	_		Treasury	BUIS and		dds		- 20104		LT FUTURE					
Priorite	9 Tw				to lear —		— 7.17 — 7.43 7.43 7.53		Open	Sett price		High	Low	Est. vol	Open Int
Brokur Joes rate	61 ₂ Thr	ue montil.		5.95 Fb	704		<u> 7,43</u>	Mar	101-30	101-27	+0-03	101-31	101-20	34091	98035
Fed.funds Fed.funds at intervention		168			1631,		7,53 7, 5 0	Jun	102-03	102-02	+0-03	102-03	102-03	2	2385
		los man			,,		, 445		LI FUIU	RES OPTIC		7200000	AUT OF 100		
								Strike		CAI			14	PUTS -	
								Price		Mer	Ju.	-	Mar		Jun
								101 102		1-09 0-84	2-2: 1-5:		0-16 0-44		1-19
								103		0-12	1-20		1-22		1-46 2-10
								. Est vol. total							
BOND FUTUR	es an	D OP	TIONS												
France								Ecu							
NOTIONAL FRENC	H BOND	UTURE	S (MATIF)					ECU BO	NO FUTU	RES (MATIE	9				
Open	Sett price	Chang	re High	Lov	, Fe	L VOL	Open Int.		Ореп	Sett price	Change	High	Low	Est. vol.	Open int
Vier 111,94	111,98	+0.2				4.510	182.909	Mer	61.62	81.90	+0.22	61.96	81.88	2,294	7,239
Lun 111.10	111,10	+0.20				323	6.565	Jun	61.70	81.54	+0.22	81.70	81.70	2,00	1,230
Sep 110.42	110.40	+0.24				2	1,521	-	01.70	01.44	7022	41.74	41.70		_
LONG TERM FRE		ОРПО			_			US							
		18			PU	vo =			441EV D	ONE) FUTUR	nee man	e-m mm -	Unde of 400	na.	
Strike			Sep	Mar	Ju		Sap	- GO THE							_
109 2.99				0.03	Q.				Ореп	Letect	Change	High	LOW	Est vol	Open int.
10 2.04		01	2.10	0.08	a.		1.71	Mar	102-16	102-14	-0-10	102-16	102-11	600,180	348,700
11 1.21	1.4	42	•	0.20	1.2	29	-	Jun Sep	102-00 101-17	101-29 101-17	-0-11 -0-11	102-00 101-20	101-27 101-16	14,188	34,805
12 0.51			-	0.55	•		-	adp	101-17	101-17	-0-11	101-20	101-16	823	5,285
D.15				1.15											
Set. vol. total, Calls 27,68	2 Puts 23,	903 . Pre	Alcus califus ob	ion Int., Ca	86 176,2	2 76	177,219.	Japan							
								- NOTION				OVT. BON	D FUTURE	3	
Germany								(CHAG) A	100m 100	oths of 100	<u> </u>				
NOTIONAL GERMA	M BUND	RYTURE	S (LIFFE)" D	M250,000	100th	ø 100	*		Open	Cioes	Change	High	LOW	Est. vol	Open Int.
Ореп	Sett price	Chens	e High	Low	E:	t. vol	Open Int.	Mar	108.43			108.62	108.41	1626	0
Mar 90.67	90.55	_	90.82	90,48	9	9542	211475	Jun	107.68			107.75	107.68	95	q
km 90.22	90.03	+0.04	90.25	90.10		538	7967	· UFFE future	M 2000 TRES	ed on APT. A	a open ma	MARK TOP. AT	lo. bissions	cary.	
UK GILTS PE	NICES														
									_						
	Yield _			4/95 _				bid Dies C		495_		Mate	_ Yet	7 + or-	_ 139455
Notes		Price £	+or- High	LITTE			toles jet	Red Price £ + e		Line			(2) Pric	45 +04-	migra Lov
harts" (Lives up to Five Ye	ant)	, ,,,,	10334	Ct.	menton :	¹² 20C 200	4 9.03	8.69 1054	+4 1254	101 Marin	(-i, baked	(4)	25 3.21 2	man . 1	20023 1000
Sects 3pc Gass 1990-65	3.02 4.0	7 90 <u>2</u>	10722	101.2		2004#.	7.57	8.56 8733	+3 1054	MB 70	ne '98tt	DE 2	25 3.31 2 81 3.80 1	W	2033 197

8.54 8.36 8.36 10.15 8.54 10.54 8.60 8.37 99% 105% 121% 94% 95% 115% 125% 103% 95%

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FT FIXED IN				-	ı Jen	31 Yr #00	High	Low	QILT	ED(ED	AC	Feb 3	INDICES Feb 2	Feb 1	Jan	31	Jan	30
Goyl Secs. (UK)			61,38			33 104.38			Callt Fed	ged be	وأحور		94.5	102.5	87.2	87		95	
Fixed Interest for 19945, Government 26 and Flood Interest 1	d Becaring	high emo	a comos	dore 1	27.AC (W	57 129.88 7/389, low 49.			5-clay a st high un			183.87	95.5 (21/1/94) , k	87.6 w 50.63 (3/1/75	96.5) , Basis 100	105 Govern		102	
FT/ISMA INT		_	-	_			pedat, L	dest prices :	t 7:00 pm	on Feb	runy i	8	_	_	_	-			
U.S. DOLLAR STRAIGH	jeeved	Bid	Other	Char.	Yield	I have Visual	7L 07	580	_	101 k	Chip.	Yleki 8.50	Abbas Med	Y 0 00 F	famued	Bld		Chg.	
Hitter Mail Transpay 6/2 (20 1000		30'E		1.23	Volta-rights !	A Fo 7 C	3 100	80%	9532	44	7.55	Allerco 12	Traceury 8 00 E	100	924 ₂	924 1052	٠.	9.3
Aberia Province 7% 96	1000	7024	10915		7.65 7.61	Warted Black C	15	900	224	23 ¹ 4	+4	7.35 7.50	British Lan	0 87± 23 P	150	93%	887	410	10.2
Berk Ned Germenten 7 6	22 1000	974	572	+14	7.72			125		1124	7	8.42	EBB 0 03 P	4 03 E	1000	94	94		81
Bark of Tolgo 8 ¹ 3 96 Balgiorn 5 ¹ 2 08 SPCE 7 ¹ 3 67		100% 841	101 ² 9 543 ₂	+4	7.53 8.10	SHISE FRA	C STREET	GE(TE					Halleton 10 ³	972 9872	100	1031g	103 ¹ 2	7	8.6
FCE 71, 67	150	100%	1004,	7	7.60	Asien Day Be	ck 8 10 _	10		108	_	5.80	HSBC Hot	Ings 11.69 02 €	153	1003	1095	+78	0.0
Harri Gas 0 21	1500	114	124	+4	8.34 7.33	Austria 4/2 0	n 44 or	100	974	957	179	5.02	taly 10 ¹ 2 1	8k700 E	400	1057	1064	-	8.8
haung Kara Fin 572 88	000	88	8912		9.25	Descript 44	03	100	974	973	7	4.92	Land Secs	9 ¹ 2 07 E	200	995	893	-32	9.6
ounci Europe 8 98	100	1005	85% 101	**	7.40			30		1072		5.78 8.04	Ontario 11	01 E 57 03 E nt 11 2 98 E	100	1077	108 ¹	7	9.5
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rmark 54 05 2 Japan Palmay 64 0	1000	947	95 ¹ 2	+4	7.89 6.12	Icoland 7% 0	T FID 6-2 (10	10812	1072		6.76	Abber Net	bred 0 96 N7\$	150	106 ¹ a	1083		9.2
30 84 95	193	101	1012	+78	7.61	Kobe 5 x 01		24	103	196		5.49	TONZ First	4. 02 NZS					
74.95	700 250	100%	101%	44	7.40 7.41	Custoc Hyde	596_		102	1024	+24	5.89	Credit Loca	10 01 FFr	7000	101 js	102	+4	8.0 8.0
74, 95	1000	1037	104 ⁷ 9 108 ⁷ 2	+14	7.53	SNOF 7 04 .	-		110	17012	+4	5.63	SNOF 94	97 FFr	4000	10312	1097		7.
		1014	1004	4	7.52 7.50	Wodd Bank 7		15	1083g	1054	+4	6.35	FLOATING	RATE NOTES					
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ind 84 ST	3000	95%	95	+3	7,74	BE 65 00 _		10000	111	1114 1045	+24	4.19	Belgium &	97 DM	200	100.00	100		6.531 9.12
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ty 6 ² s 23 part Dev Sk 8 ² s 01 real Sec Per 10 96	500	1024	80% 102%	7	7.5	Japan Dev Bi Japan Dev Bi Nippen Tul 74 Norway 5% 9	7	150000	1042	1044 1041 ₂		3.00				97.93 99.00			6.862 5.062
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and 54 00	1000	857	854	+14	127	World Bank &	95 Ur	1000	1013	101		6.96	New Zeeks	d -4 55	1000	89.74			8.375
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ota Motor 65; 98 led Kingdom 74; 02			943 ₄	1		Onterto Hydio Ostar Kontrolli				1051	+2	9.46				Price	964 C	Mar P	TOTAL
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ntd Blanck 8%, 97	, 1530	1027	103	+4		Beighan 6% 9 Council Europ	901 Ecu	1100	1024	10212	+14	7.17 8.68		7h (1)		W44 4	10 ¹ 10		62.7
UTSCHE MARK STRA		- Z	waT.	.•		Credit Lyotte	• 796 Ex	125	1012	1017	-	7,76	Hereon Ann	edro 7 30 M	500 ZA	675 19	331	104 +	13.4
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Mex contracts Inflation optimism helps dollar make further gains

The dollar finished firmer in European trade yesterday, despite giving up some of its gains during the afternoon sea-

sion, writes Philip Gawith.

Trade was fairly subdued, with the market's attention now focused on the January producer price index, which comes out on Friday. The dol-lar finished in London at DM1.5309, up from DM1.525 on Friday. Against the yen it closed at Y99.355, from Y99.675.
The firmer dollar, and con-

cerns about the progress of the annual German wage round, took some of the gloss off the D-Mark, which lost ground against most European currencies. The Swedish krona was the biggest winner, firming to SKr4.874 against the D-Mark from SKr4.904

Sterling lost a further half cent against the dollar, after Friday's two cent fall, finishing at \$1.56 from \$1.5649. It was slightly firmer against the from DM2.3864.

■ Traders said that the weak
D-Mark was the feature of tradiscurrently bullish, dominated ing, which was very quiet in the morning. Sentiment towards the D-Mark was depressed by news of walk-outs and talk of balloting for strike

The D-Mark was also vulner-

able to profit-taking following the boost it received in January from safe-haven flows. Mr Steve Barrow, international economist at Chemical Bank in London said the story of the day had been D-Mark weakness, rather than dollar

strength.
Dollar traders paid little attention to the tabling of the fiscal 1996 budget, choosing instead to focus on the quar-terly Treasury refunding and the upcoming PPI figures.

1.5612 1.6605 1.5593 1.5520

-0.0272 911 - 097 +0.0124 087 - 714 -0.0026 046 - 153 -0.0222 616 - 777

by a consensus, after last Friday's weak jobs report, that the US is heading for low-inflationary growth. This will help bonds, and foreign buying should boost the dollar.

Various analysts have pointed out that the dollar's recovery is vulnerable to a setback. They argue that the mar-ket is over-eager to discover a trend, with the "soft-landing"

■ By contrast with the dollar,

there is currently little confidence in sterling, Mr Avinash Persaud, currency strategist at JP Morgan in London, commented: "I think the marketplace is extremely bearish. There is a sense that this government could be out by the end of the year, and markets fear a Labour government."
Mr Carl Weinberg of High Frequency Economics in New

York provided a foreign per-

spective on how markets might respond to Labour. "This is not the same old Labour Party, but no one knows what it is. Our experience is that investors tend to shun political experi-ments. We think they will continue to sell sterling as long as the risks of elections are significant. If elections are called, we think they would dump ster-

tive on sterling is that the market is not so much bearish about the currency, as no longer bullish. Having failed in recent months to rally on good economic news, the market has now taken to looking at the bad news.

Mr Barrow said sterling's weakness was difficult to understand, given that it had recently successfully weathered more damaging political events. He surmised that it may have been a functioning of the positioning of the marwho, with justification, thought the pound was going to be a good buy. But it

A senior Spanish official said the recent rise in Spanish rates had been to anticipate inflation, not to defend the peseta, as widely believed in the market.

Mr Alfredo Pastor, secretary of state at the Ministry of Eco-

10,762 0.6 31,4775 0.6 8.0902 0.3 4.7214 0.7 5.3031 0.6 1.5296 1.0 5.5296 1.0 1517.05 -0.0 31,4775 -0.0 31,4775 0.8 8.5967 0.8 159,395 -2.6

-2.6 -2.1 -1.8 2.2 0.5

mented: "The peseta has been within the 15 per cent bands since August 1993. We think it is undervalued, but there is no reason to defend it."

He predicted that inflatio would fall from the secon quarter, or at least the secon half, of the year. On this basi further hike in rates this year The peseta finished at Pta86.77 from Pta86.92, against th

The Bank of England pr vided UK money merkets wit £370m late assistance. Earlie it had provided £103m at the established rate of 6% per cent after forecasting a £600m shor

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ığ	Switzerland		375	31	3%	48	41/2	6.625	3.50	-
ad	week ago		3% 6	34	4 6%	4\i	4 <u>3</u> 74	6.625	3.50 5.25	-
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3	Mar	93.94	93.99	+	0.06	94.00	93.94		989	48,880
,	Jun	93.52	93.54		0.05	93.57	93.52	10.	741	44,838
3	Sep Dec	93.16 92.90	93,16		0.04 0.03	93.25	93,16 92,66	7.	286 930	34,569 19,889
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	Mar Jun	93.58	93.54	-4	2.01	93,56	93.56		00 0	1437
۱ ا	Sep		92.65	4	0.01				0	177
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.	Jun	94.41	94.37		0.02	94.42	94.36		045	167513
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, 1		Open	Sett pric	_	ange	High	Low		vol	Open int.
	Mer	BO.85	90.92		0,12	90.93	90.83		91	35377
. 1	Jun	90.13	90.24	+4	0.13	90.26	90.12	56	31	26262
.	Sep	89.70 89.40	89.80	-+4	0.12	89.81	89.70		22	25453 14831
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.	Marie	95.00	95,89	e Ch	euße	High 95.92	Low		vol 300	Open int. 16104
: 1	Mar Jun	95.56	95.56			95.60	95.89		96	14838
. [Sep	95.29	95.28		0,01	95.30	95.28	5	04	6314
. !	Dec		95,03	+	0.01				Q	5349

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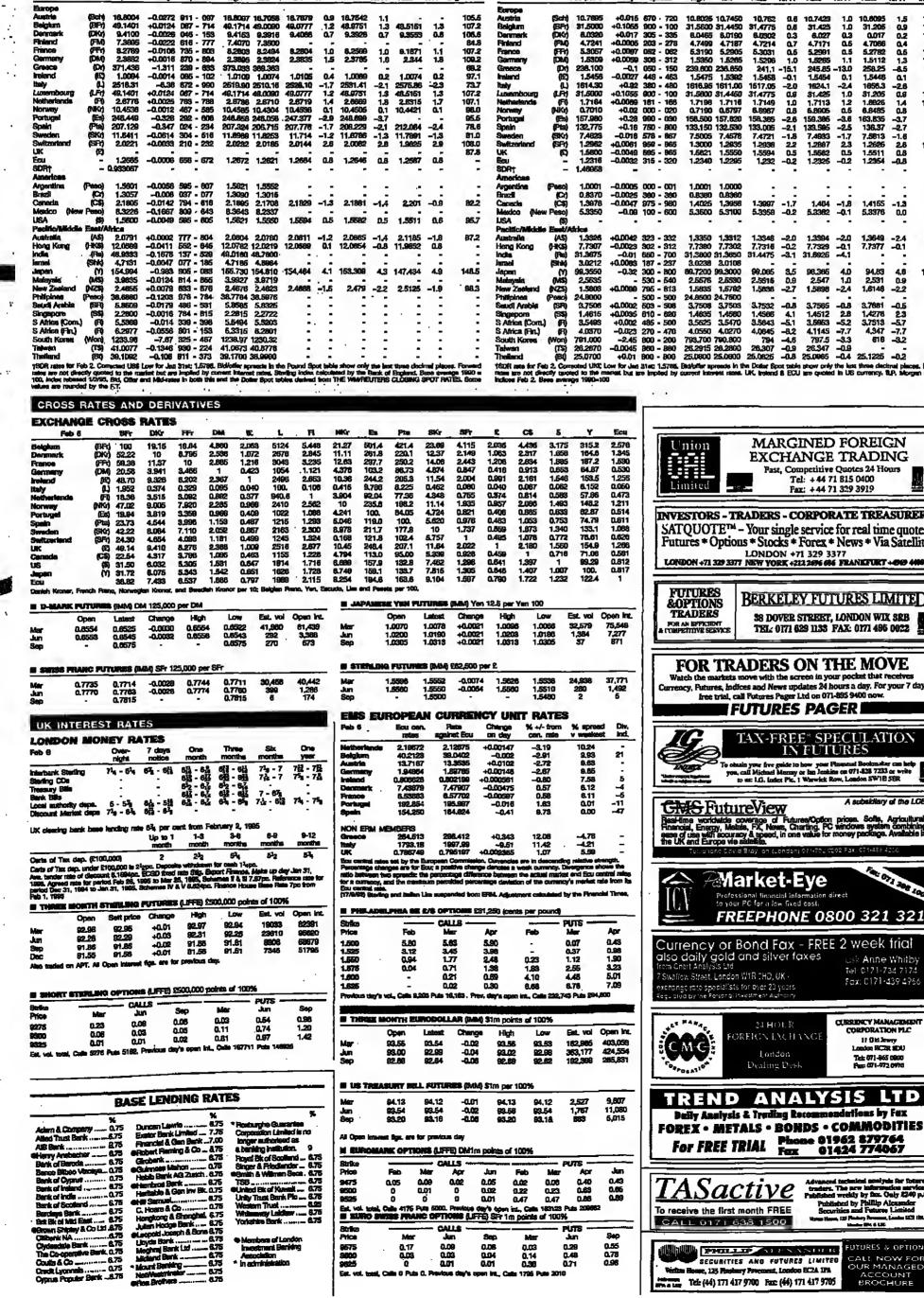
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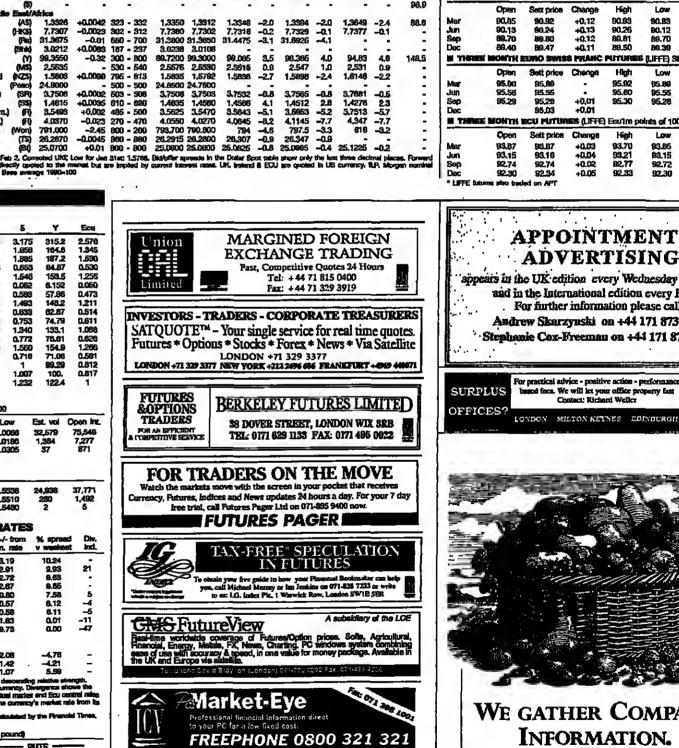
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LONDON SHARE SERVICE

FINANCIAL TIMES TUESDAY FEBRUARY 7 1995

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Call 071-973 4378 (+44 71 873 4378, International) for more information on FT Cityline.

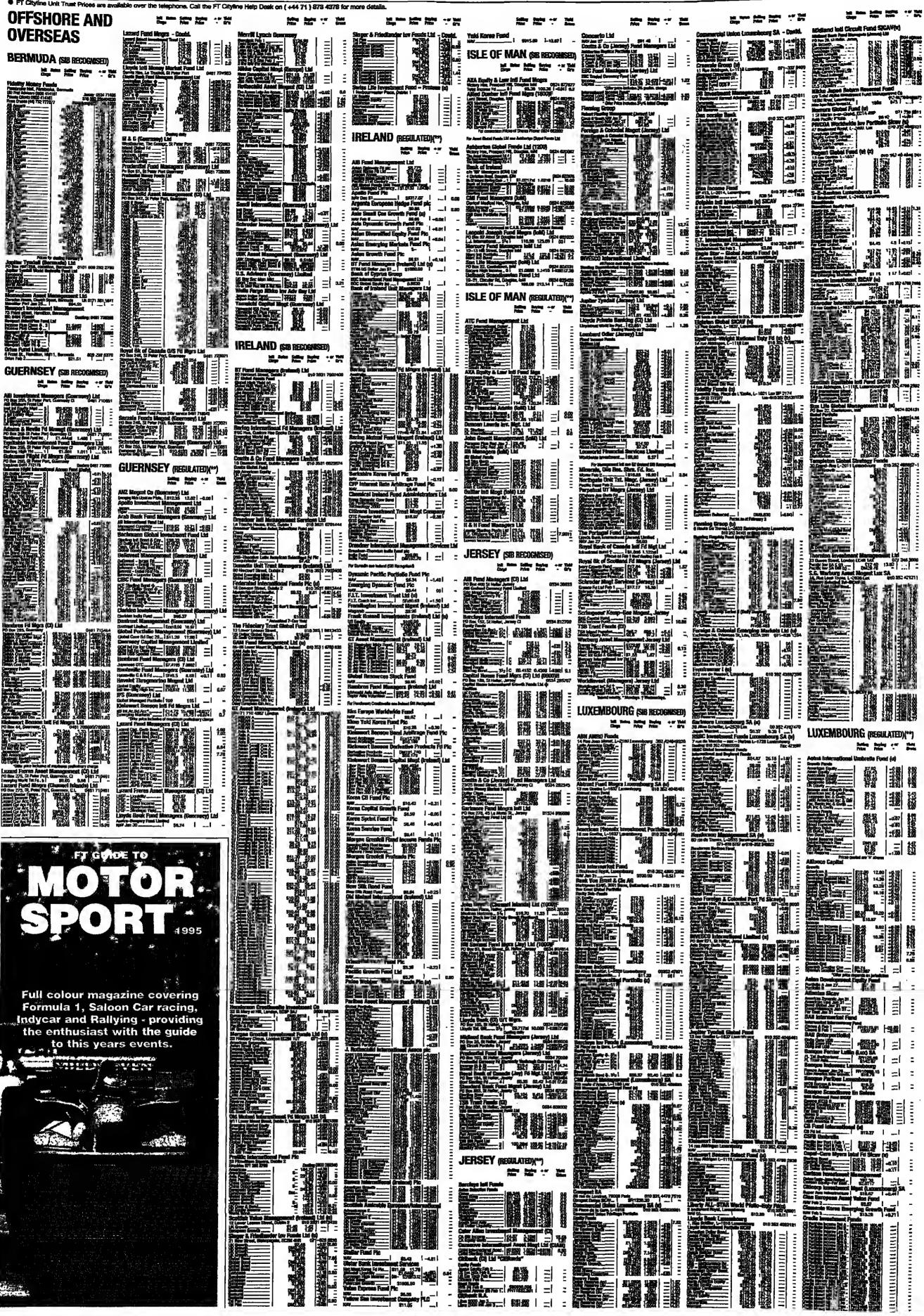
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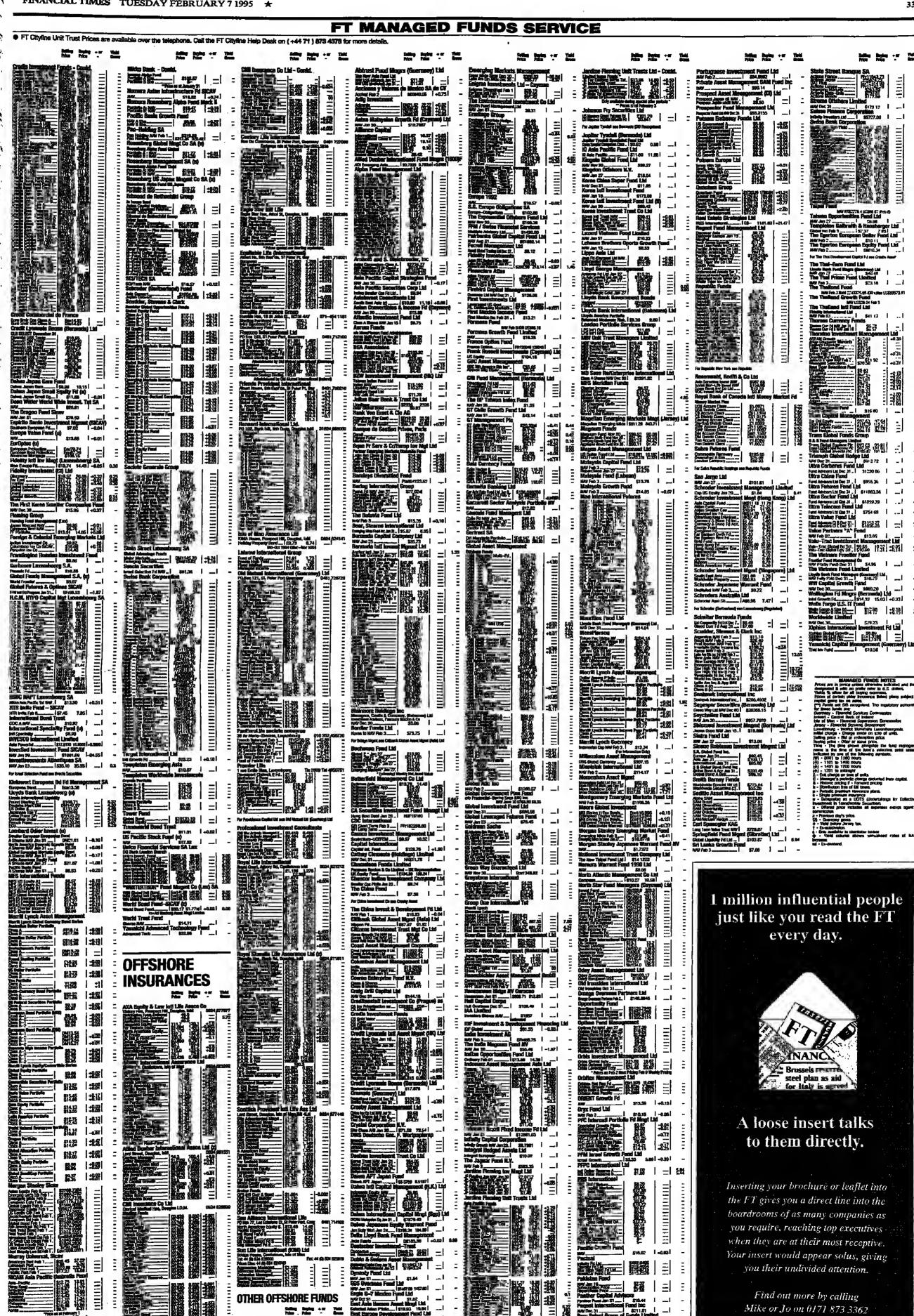
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FT MANAGED FUNDS SERVICE



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LONDON STOCK EXCHANGE

Early advance cut back by political concerns

A slow undertow of political worries restrained the UK stock market yesterday, preventing it from joining fully in the positive response by other European and Far Eastern markets to Wall Street's strong rise ahead of the weekend. A firm start, which saw the FT-SE 100-share Index gain more than 15 points, was soon lost as sterling and government bonds again shied away from perceived political pressures on the Ulster and European policies of Mr John But traders stressed that underly-

ing confidence remained good and that there was little significant selling pressure. Equity analysts played down the political concerns, which had surfaced in the foreign exchange markets, and were regarded in the stock market as "premature"

Kleinwort Benson, the UK merchant banking and securities house, is convinced that political worries are overdone and that the stock market is poised for a rise of 5 to 10 per cent over the next two months. Market strategists kept their eyes on the latest developments in the US economy, believing that the

employment data announced on Fri-

day implied that economic growth

was under control and that the peak of the interest rate cycle might be close at hand.

Wall Street made a more muted start to the new trading session, showing a gain of only one Dow point in London hours. The final reading on the FT-SE 100 Index, at 3,062, represented a gain on the day.

Trading volume also died away somewhat in the absence of new developments on tha takeover scene, which has provided the drive behind the Footsie's confident advance from the 3,000 mark.

Seaq volume of 420.6m shares yesterday compared with 616.3m on Friday. Once again, Friday's retail

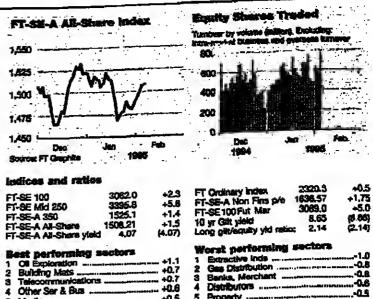
business level of £2.3bn - well within the range associated with bull markets - was boosted by activity in specific corporate situa-tions rather than spread across the marketplace.

The brighter tone of the market was reflected in a better performance from the FT-SE Mid 250 Index, which takes in a range of second line issues. The 250 index put on 5.6 at 3,385.8, outperforming the FT-SE 100 share Index for the first time in many weeks.

The £9bn-plus bid saga in the pharmaceuticals continued to loom over the market as investors waited for Glazo to unveil its formal offer for Wellcome at the end of the week. Hints in the UK press last weekend that Pfizer, of the US, might come to Wellcome's rescue found a mixed response in the market, drug sector specialists continned to doubt Wellcome's chances of finding a rival 19km sultor.

Towards the close of trading, British government bonds rallied from early falls, and analysts commented that this could set the tone for this morning's opening in the equity market. But the overriding factor behind London is likely to be the progress of New York stocks. This week offers a relatively light

calendar of economic data. Analysts



New bid aiert in Recs

Yorkshire Electricity outpaced the rest of the regional electricity stocks, with dealers taking the view that the long-rumoured bid for the group could be imminent

Along with Northern Electric, for which Trafalgar House bas bid £1.2bn, and Sonth Wales Electricity, Yorkshire is seen as one of the sector's favourite takeover targets. Swiss Bank Corporation bolds an 8 per cent stake which it said it has built up as part of its marketmaking activities. Dealers said Hanson is viewed as the most likely bidder for

Yorkshire shares jumped 19 to 774p, albeit in relatively light turnover of 498,000 shares, while South Wales put on 7 at 766p. Northern, where the market awaits the recommendation from Mr Michael Hesaltine, president of the Board of Trade, whether or not to approve an investigation by the Monopolies and Mergers Commission, slipped 3 to 955p.

Lloyds Bank upset

Shares in Lloyds Bank performed badly against the overall market but in line with the banks sector, as tha market registered its disappointment with 1994 results from Cheltenham & Gloncester Building Society. Lloyds Bank bid for Lloyds Bank's life assurance subsidiary, and the bank's own preliminary results, due on Friday, caused the setback in Lloyds Bank shares Lloyds Bank kicks off the

figures, plus residual nervous-

ness about Lloyds Abbey Life,

banking sector results season and is expected to reveal pretax profits in excess of £1.2bn. compared with last time's £1.03bn, and a dividend increase of around 15 per cent. The bank's shares settled 5 cheaper at 545p.

British Airways' third-quarter results reinforced the group's reputation as tha world's most profitable airline and left the stock 41/4 higher at 374p. On a dull day for volume generally turnover was solid at 5.5m, and the business was mostly on the upside as the shares found clear favour among airline watchers.

Buoyed by reduced fuel costs and strong traffic flows, the latest quarterly results were said to confirm the underlying strength of BA's core operations. Panmure Gordon npgraded annual profits esti-mates by £25m to £475m. UBS stayed put at £450m but edged up unit earnings by a penny to 34p and switched its recommendation from hold to buy.

Vodafone, the mobile phones group, was easily the market's most active stock with turnover topping 17m. The shares, after a series of analysts' downgrades was followed by a warning on lower profits in the current year, rallied 8 more to 193p as US investors preferred to judge the shares on a longer

stressed its positive stance. The house is also keen on United Newspapers, a penny

USM-quoted SelecTV improved 2 to 241/4 as it was announced that MAI, the media investment and financial services group, had bought a 4.2 per cent stake.

Talk that Morgan Stanley, the influential US investment hank had increased the Hong Kong weighting in its global portfolio helped to boost HSBC. whose shares raced up 19 to 671p on very heavy turnover of 8.1m shares. National Westminster Bank slipped 7 to 489p in the wake of a Smith New Court recommendation.

Fund management group Henderson Administration retreated 62 to 1013p after issuing a profits warning although insisting that the dividend will

to 768p as co	bber br	ices sli	pped	to ar	mound	e a pr	efit of	above
FINANCIAL	TIME	S EQ	UTTY	INDIC	ES			
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Ordinary Share	2320.3	2919.8	2303.3	2288.4	2280.7	2633.3	2713.8	2236.3
Ord, div. yield	4.52	4.51	4.54	4.67	4,63	3.53	4.06	3.43
Earn, ykd. % full	6.64	6,63	6.65	8.70	6.76	4.00	6.84	3.62
P/E ratio net	17.88	17,90	17.81	17.67	17.45	\$1.56	33.43	15.61
P/E ratio nii	16.93	16.97	16.86	18.74	16.53	29.26	30,80	18.37
For 1994/5, Ordina	v Share in	des since	comoletic	er high 21	13.6 2.00°	54: low 45	A 268/40	

	Ordinary Share hourly changes		_					13.00	14.00	15.00	16.00	High	Low
		FT Ordinary Sture Index base date 1/7/85.											
"For 1984'S. Ordinary Share Index stress completion; high 2713.6 242/84; knw 49.4 26/8/40	P/E milio nii 16.93 16.97 16.98 18.74 16.53 29.26 30.90 18.3			1384	17.2	RU 17.	90 1	7.81	7.67	17.45	51.56	33.43	15.8
P/E retto nil 16.93 16.97 16.96 18.74 16.53 29.26 30.90 18.1 "For 19945. Ordinary Share Index stros completions high 2713.8 242/54, low 49.4 26/5/40		P/E ratio net 17.88 17.90 17.81 17.67 17.45 51.56 33.43 15.81	P/E retto										

	Feb e	Feb 3	Feb 2	Feb 1	Jen 31	Yr ago
SEAQ berguine	23,169	21,318	19,842	20,707	17,602	54,03
Equity turnover (Crit)	-	2276.8	1447,8	1613.6	1153.3	2074.0
Equity bergainst	•	31,175	26,367	27,A45	24,000	57,650
Shares traded (mi)†	-	779.3	569.1	625.1	471.1	786.3
(Sectuding Intra-market bus	trees and dv	CENTRAL TARRO	w.			

367 Total Lows

on the London Metal Exchange. The three-month copper price slipped below key support at \$2,800 a tonne on overnight fund liquidation from the Far East and follow through selling in Europe.

US buyers were picking up UK pharmaceuticals stocks. with SmithKline Beecham Units attracting interest and rising 4 to 454p. The "A" shares followed suit to end 2 higher at 481p.

Takeover target Wellcome, which is expected to launch its epilepsy drug Lamicial in the UK today, was in strong demand during early trade. The market responded to speculation in the Sunday press that Pfizer, of the US, was poised to enter as a bidder However, the shares ticked back in late trade to close flat at 1018p. At that price they offer a 20p discount into Glaxo after charges. Glaxo, expected

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Feb 6	Feb 5	Feb 2	Feb 1	Jan 31	Yr ego	High	7.04
2320.3	2919.8	2303.3	2288.4	2280.7	2633.3	2713.8	2236.3
4.52	4.51	4.54	4.67	4.63	3.53	4.06	3.43
6.64	6.63	6.65	8.70	6.76	4.00	6.84	3.62
17.88	17,90	17.81	17.67	17.45	\$1,56	33.43	15.61
16.93	16.97	16.86	18.74	16.53	29.26	30.80	18.37
			n: high 27	13.6 2.02	94; low 49	A 25/5/40	
	2320.3 4.52 6.64 17.68 16.93 Share in	2320.3 2319.8 4.52 4.51 6.64 6.63 17.66 17.90 16.93 16.97 Share index stros	2320.3 2319.8 2303.3 4.52 4.51 4.54 6.64 6.63 6.65 17.88 17.90 17.81 16.93 16.97 16.88	2320.3 2519.8 2303.3 2286.4 4.52 4.51 4.54 4.57 6.64 6.63 6.65 6.70 17.68 17.90 17.81 17.67 16.93 16.97 16.98 16.74 Share index giros completion: high 21	2320.3 2319.8 2303.3 2268.4 2260.7 4.52 4.51 4.54 4.67 4.63 6.64 6.63 6.65 8.70 6.78 17.68 17.60 17.61 17.67 17.45 16.93 16.97 16.86 18.74 16.53 Share index stress completion: high 2713.5 2702	2320.3 2519.8 2303.3 2288.4 2260.7 2633.3 4.52 4.51 4.54 4.67 4.63 3.53 6.54 6.63 6.65 6.70 6.78 4.00 17.88 17.90 17.81 17.67 17.45 51.56 16.97 16.98 16.74 16.53 29.26 Share index stress completion: high 2713.0 2727.94, low 45	4.52 4.51 4.54 4.67 4.63 3.53 4.66 6.64 6.63 6.65 6.70 6.78 4.00 6.84 17.68 17.90 17.61 17.67 17.45 51.56 33.43 16.97 16.97 16.98 16.74 16.53 29.26 30.80 Share index stress completion: high 2713.5 292.54; low 494 286.49

	Open	9.00		11.00		13.00	14.00	15.00	16.00	High	Low
7	2390.8	2325.9	2322.6	2322.2	2323.6	2323.5	2322.5	2324.0	2320.6	2330.6	2320.1
				Feb 6	Fel	9	Feb 2	Feb	1 4	ın 31	Yr ago
S	EAQ be	rgaine		23,16	8 21	,318	19,642	20,7	07 1	7,602	54,033
E	quity tu	TOVE	(Smitt		- 22	76.8	1447.8	1613	1. B.	153.3	2074.0
F	crafty be	accesions?			. 31	.175	26.967	27.4	45 2	4.000	57 65A

•	Files and falls'		95 Highs a		LEFFE Eq	ulty options	43.57
	I London merket	deta					
	(Sectoding Intra-mariest bus	hees and ov	ersen tumo	w.			
	Shows traded (mi)†	-	779.3	569.1	625.1	471.1	786.
•	Equity bengains?		31,175	26,367	27,A45	24,000	57,65
٠	Equity turnover (Cm)†	_	2276.8	1447.8	1613.6	1153.3	2074
	Count of Series	23,100	21010	10,000	24,101	o Parage	-

C&G last year.

Reed International gained 6 Some 1994

Marketmakers said the C&G at 745p as Kleinwort Benson Fab. 6 Data based on those compa

fibn some time this week, receded 5 to 6610.

The recent takeover specula tion in Lasmo continued unabated, with persistent talk that Enterprise Oil's near 10 per cent stake could be about to change hands still circulating in the market. Lasmo added 5 at 156p on turnover of 3.5m. Also helping to drive the shares ahead was a firm showing by crude oil prices, which moved up some 30 cents on the day to \$17.25 a barrel in

response to forecasts of more

bad weather in the US. High street retailer Dixons gained 4 at 213p in trade of 5.4m, with Kleinwort Benson and Swiss Bank Corp said to have recommended the stock. Hotels group Forte was in demand ahead of Friday's trading statement rising 5% to 244p in trade of 2.7m. UBS, the have had the day's hig buyer.

group's broker, was said to Sentiment was further enhanced by a recommendation from Nomura, Drinks and hotels group Vaux continued to bask in the glow of Friday's confident annual meeting, gaining 3 at 228p. Nervous trading in Thorn

EMI, shead of today's thirdquarter figures, left the shares a penmy lighter at 1049p. The market expects the group to confirm the closure of Rumbe lows, the loss-making electrical goods chain. Analysts predicted favourable figures for the group's music division. Food manufacturer Dalgety

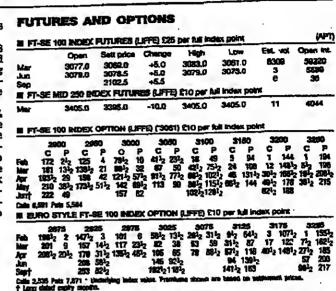
slipped 5 to 414p as several bro kers turned cautious about the group's acquisition of Quaker's European pet foods business amounced last week. BZW reiterated its sell stance

on the stock, saying Dalgety had paid too much for the purchase. However, analysts at NatWest Securities were positive on the deal, urging investors to add to holdings. Nat-West said the merger of some of the group's operations fol-lowing the acquisition "should

are focusing on the US producer price statistics, due on Friday. less to a rerating of the shares over the next few months". Chemicals leader ICI shed 8 to 738p as speculation gathered ground that Robert Fleming Securities was poised to publish a negative note on the stock today. Tomkins added a further 5% at 241p in 5.7m turnover. The shares have advanced by close

> on 9 per cent in the four sessions since tha group announced plans for a move from Nasdaq to a New York Stock Exchange listing, Electronics and packaging specialist TT Group added a penny to 238p following analysts visits.

MARKET REPORTERS: Stave Thompson, Peter John, Joel Kibazo Jeffrey Brown.



TRADING VOLUME

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-	F.P.	27.8	55		Lessed Birle India	2375	+12	-	-	-	
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35	F.P.	22.1	36	34	MOIT S Cap	34		_	_	-	
35	P.P.	23,4	36	36	MOIT & Inc	26		_	~	-	
100	F.P.	40.5	94		Metheson Lloyde	81		-	-	-	
-	F.P.	19.0	180	95	Persex CE	25		-	-	-	
-	F.P.	4.20	102	103	Weeter Troot	1012		~	_	-	
-	F.P.	262.1	128	118	Woodcheeler Links	125		•		-	

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MARSH & **MCLENNAN COMPANIES**

Results for the year ended 31st December, 1994 (Unaudited)

	(except per snare ngures		
	1994*	1993	
Total Revenue	\$3,435.0	\$3,163.4	
Total Expense	2,764.7	2,570.6	
Operating Income	<i>6</i> 70 <i>.</i> 3	592.8	
Income Before Income Taxes	631.5	558.6	
Net Income	371.5	332.4	
Net Income Per Share	\$5.05	\$4.52	
Dividends Paid Per Share	\$2.80	\$2.70	
*Reflects the adoption, effective January 1, Accounting for Postemployment Benefits."	1994, of SFAS No. 11	2, "Employers	

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	Feb 8	Day's chara 14	Feb 3	Feb 2	Feb 1	Year	Dtv. ylek/%	Earn ylekt%	P/E mile	Xd adj.	Total Return
10 MINERAL EXTRACTION(25)	2670.07		2671,50	2659.36	2641.78	2616,99	3.52	5.07	24,93	0.00	1077.96
12 Extractive industries(7)	3534.47	-1.0	3571,34	3586.04	3589.71	3915.74	3.43	5.51	22,45	0.00	975.31
16 Oil, integrated(3)	2557.68		2006.65	2663.64	2630.95	2536.76	3.65	5.62	22.14	0.00	1101.65
18 Oil Exploration & Prod(15)	1941.20	+1.1	1820,51	1904,85	1899.22	1971.16	2.52	#		0.00	1123.14
20 GEN INDUSTRIALS(Z78)	1803.54	+0.1	1800.80	1789.48	1781.27	2190.67	4.33	5.91	20.22	1.65	828.52
21 Building & Construction(38)	948.72	_	948.87	950.15	948.06	1525.23	4.09	6.52	20.01	0.00	749.10
22 Building Matte & Merche(31)	1732.75	+0.7		1708.11			4.40	6.38	18.92	0.20	824.75
25 Chemicals(23)	2200.83			2202.14			4.29	4.94	25.12		283.55
24 Diversified industriels(17)	1771.53			1755.62			5.28	6.42	17.97	3.08	918.85
25 Bectronic & Bect SoutoGB	1684.11			1843.00			4.03	8.84	17.40		832.01
25 Engineering(72)	1731.82			1724.37			3.49	5.65	20.78		899.93
27 Engineering, Variotes(13)	2051,72			2040.83			4.88	1.89	100.08		1004.44
25 Paper, Poky & Printing(27)	2682.02			2692.26			3.35	5.97	19.36	0.17	1062.22
29 Textiles & Apperai(21)	1478.48			1459.82			4.50	6.64	19.56		845.43
30 CONSUMER SCOOLS	2961.77			2839.53			4.27	7.14	18.35		997.94
31 Dremerice(18)	2232.89			2212.74			4.29	B.06		10.38	1022,22
32 Spirits, Wines & Ciders(10)	2577.96			2564.41			4.42	7.63	15.48		880.23
33 Food Producers(24)	2328.29			2320.21			4.24	7.56	16.70	14.23	996.68
34 Household Goods(10)	2609.78			2492.33			-3.55	5.66	18.07	0.45	909.39
36 Health Care(15)	1590.33	+0.5	1583,10	1531.88	1581,20	1867.82	3.14	3.47	40.03	0.58	929.07
87 Pharmaceuticals(18)	3514,13	-0.3	3523.10	3464,15	3401.76	3101.45	3.64	6,12	18.84	0.00	1127.29
38 Tobecco(2)	3741.77	+02	3733,43	3745,43	3707.00	4328.77	5.74	9.74	11,21	0.00	853.53
(0 SERVICES(231)	1857.75	+0.2	1854,53	1861.06	1845.35	2130.18	3.38	7.31	16.53	3.90	922,67
11 Clastributors(32)	2272.58	-0.5	2286.42	2263.62	2289.70	3218.84	4.11	13.58	8.65	1.53	794.61
(2 Lataura & Hotels(28)	2087.A2	+0.3	2051.05	2080,17	2068.82	2303.75	3.45	5.74	20.85	8.69	1039,41
43 Medie(43)	2764.60	+0.5	2750.44	2738.07	2750.31	3244.25	2.55	5.67	20.68	1.82	963.25
44 Fietaliers, Food(18)	1805.52	-0.1	1807,17	1795.81	1785.44	1593,14	3,65	8.88	13.80	2.54	1091.10
45 Patriers, General 45	1531.97	+0.2	1528.52	1525.09	1521.20	1788.17	3.50	7.50	16.31	5.11	836.58
48 Support Services(35)	1443.12	-0.4	1449.20	1462.47	1480.86	1824.01	2.92	6.58	17.64	0.89	884.25
(9 Transport(21)	2164.68	+0.3	2157.53	2164.82	2158.84	2774.14	3.93	7.02	16.84	3.82	856.37
Other Services 8 Business(7)	1206,18	+0.0	1199.34	1194.84	1196.58	1338.01	3.71	4,80	29.33	4.78	1050.64
O UTALTIES(37)	2963.51	+0.5	2356.10	2338.05	2337.82	2687.17	4.55	7.88	15,48	6.79	931.21
52 Electricity(17)	2394.31	+0.3	2367.81	2401.56	2407,49	2566.25	4.11	10.56	11,29	19.89	1024.86
84 Gas Distribution(2)	2022.85	-0.8	2039.00	2048.05	2024.00	2257.50	6.92	#	#	0.00	950.11
88 Telecommunications(5)	2036,92	+0.7	2022.42	1972.94	1976.81	2580.14	4.01	7.34	16.65	0.00	884.02
SB Wisher(13)	1872.81	+0.3	1857,98	1674.08	1675.06	2086.06	8.06	14.35	7.61	4.62	852.98
NON-FENANCIALS (888)	1835.57	+0.1	1634.82	1825.30	1617,33	1826,41	4.04	8.78	17.71	3.29	1171.29
FENANCIALS(119)	2105,44	-0.1	2108.87	2068.33	2062.09	2650.97	4.63	9.63	12.17	0.39	840.79
71 Benics, Retail(9)	2757.10	+0.2	2761,93	2727.32	2717.71	9456.03	4,42	10.20	11.17		833.30
72 Benks, Merchant(5)	3079.99			3068.56			3.61	9.06	12.80	0.00	935.45
75 Insurance(27)	1152.54	-0.3	1156.20	1148.99	1150.58	1520.44	5.73	10.22	11.16	0.51	797.49
4 Ule Assurance(5)	2316.50	-0.6	2324.85	2291.40	2276.18	2753.30	5.51	8.04	15.18	0.00	887.29
77 Other Financial(25)	1845.39	-0.1	1847.76	1849.88	1845.05	2209,16	4.04	8,09	14.62	2.11	906.06
Property(48)	1363.60	-0.5	1370,44	1373.91	1367.06	1847.72	4,41	7.80	16.05	0.67	791.65
SO INVESTMENT TRUSTS(183)	2611.56	+0.7	2594,47	2577.00	2570.06	9062.10	2.30	2.04	48.96	4.84	884.00
SP FT-SE-A ALL-SHARESHIS	1508.21	+0.1	1506.71	1497.15	1490.41	1719.48	4.07	7.04	16.91	2.00	1200.39
r-SE-A Fledging	988.10	+0.1	985.59	965.37	985.55		2.90		_	2.05	988.14
T-SE-A Fledging ex fiv Trusts	968.32			965.56			3.06			2.20	

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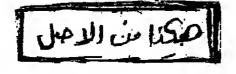
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	WORLD STOCK MARKETS	
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US stocks steady at midsession

Wali Street

US shares were steady yesterday morning, near the highs achieved after Friday's buying spree, writes Lisa Bransten in

At 1 pm the Dow Jones industrial Average was up 3.02 at 3.931.66. The Standard & Poor's 500 climbed 1.33 at 479.98, and the American Stock Exchange composite rose 0.37 to 442.80. The Nasdaq composite gained 4.68 at 776.74. Volume on the NYSE was 179m

Friday brought industrial shares close to the barrier of 4,000 in intraday trading as shares rose more than 70 points before falling back by the close to end up nearly 59 points. Yesterday morning, however, traders found insufficient momentum to stage another rally.

The Dow was also held back by cyclical shares, which are overweighted in the index and did not advance by as much as consumer shares. Among the weakest issues in the Dow was Aluminum Company of America, which lost \$3\% at \$90\%.

Shares on the Nasdaq jumped more than 0.6 per cent led by a soaring bank issue and gains in parts of the tech-

nology sector. Michigan National, posted the largest gain on the Nasda Shares in the US-based bank were up \$13% at \$101% on news that National Australia Bank would purchase it for \$1.56bn or \$110 per share.

Harley Davidson, the motorcycle manufacturer lost \$1% at \$25% after the chief executive said that this year's operating margins might fall below the 14.1 per cent recorded in 1994. Procter & Gamble put on \$1% at \$66% after the consumer

Financial rand exerts pull

Sonth African stocks turned easier as 8 stronger financial rand and lacklustre gold bullion price helped to reverse an early rally. Industrials came off morning highs in late finally 7.9 down at 5,332.3, the industrial index gained a net

firmness, ended R1 lower on the day at R201, Minorco added 50 cents at R90.50, and Samancor was R2 dearer at R55 ahead of an improved

goods company amended a suit against Bankere Trust to

include a second derivatives

carried out on its behalf. The

new complaint was to be added

to a suit filed by Procter &

Gamble against Bankers Trust

last October. Bankers Trust

after the food company said it

planned to cut 300 to 350 jobs

as part of 8 plan to boost pro-ductivity. H.J. Heinz lost \$% at

\$39% after announcing that it

would buy US pet food operations from Quaker Oats.

Toronto was easier at midday as trade remained light. The

TSE 300 composite index

declined 4.84 to 4.100.21 in turn-

The metals and minerals

index was off 121.68 at 3,961.82

Mexican shares were lower in

late morning trade as investors

prepared themselves for what

are expected to be disappoint-

ing 1994 company earnings

reports. The IPC index was

29.48 or 1.5 per cent down at

1.927.75 in volume of 14.3m

São Paulo was 2.1 per cent

down to early afternoon trade

as the market continued to

focus on government talks

with political party leaders on

President Fernando Henrique

Cardoso's charter reform pro-

posals, which will be sent to

The Bovespa index was 812

congress on February 16.

and gold off 49.65 at 8,584.82.

Kellogg gained \$% at \$54%

was unchanged at \$641/4.

Quaker rose \$1/4 to \$34.

over of C\$26.1m.

shares.

Brazil

Elsewbere, Vaal Reefs fell R15 to R300, Western Areas shed R1.25 to R55 and Oryx put on 5 cents at R3.70.

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	1 Week	4 Weeks	1 Year	Smet of 1984	Stort of 1954	Stort of
Austria	-2.45	-7.95	-22.28	-19.32	-13.52	-8.53
Belgium	+0.73	-1.12	-11.63	-8.96	-1.98	+3.68
Denmark	+2.14	-0.38	-15.32	-8.26	-2.20	+3.64
Finland	+1.29	-0.66	+3.93	+25.09	+45.00	+53.36
France	+1.60	-2.02	-20.65	-17.62	-13.17	-8.15
Germany	+1.08	-0.71	-7.89	-11.67	-4.91	+0.58
reland	+1.46	-1.06	-4.55	+3.26	+7.25	+13.44
taly	+2.15	+6.45	+2.74	+11.57	+11.93	+18.38
Notherlands	-0.06	+0.13	-6.43	-2.83	+4.37	+10.35
Vorway	+1.67	+2.00	-5.44	+6.11	+12.93	+19.44
Spain	+2.20	+2.28	-18.84	·11.80	-10.12	-4.90
Sweden	+1.34	+1.68	-0.02	+9.80	+15.70	+22.3
Switzerland	+1.81	-1.29	-16.29	-10.59	-2.70	+2.90
UK	+1.12	-0.41	-13.18	-10.56	-10.57	-5.40
EUROPE	+1,25	-0.21	-12.21	-9.17	-5.65	-0.15
Australia	-0.89	-0.63	-18.73	-12.57	-8.34	-3.04
Hong Kong	+3.18	-2.23	-37. 8 1	-38. 6 9	-42.08	-38.74
Japan	+2.95	-5.94	-10.28	-0.03	+5.82	+11.93
Malaysia	+6.66	-4.11	-20.88	-28.29	-28.48	-24,35
New Zealand	+2.04	+5.62	-14.80	-4.69	+2.57	+8.50
Singapore	+4.00	-6.13	-10.74	-14.28	-10.57	-5.41
Canada	+1.38	-0.94	-6.23	-1.35	-11,95	-6.85
USA	+1.82	+4.01	+0.32	+3.81	-2.33	+3.31
Mexico	+0.47	-11.33	-25.71	-20.08	-56.74	-54.25
South Africa ,	+3.90	-8.27	+6.97	+7.60	+7,49	+13.70
WORLD INDEX	+2.05	-0.74	-8.13	-3.42	-3.37	+2.2

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FT-ACTUARIES WORLD INDICES

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Europe Ex. UK (517) Pacific Ex. Japan (325) World Ex. US (1739)

Interest rate hopes provide support for bourses

Continental bourses took the view that the long-running round of US interest rate increases could be over, writes Our Markets Staff.

PARIS built on Friday's rise. with the CAC 40 index finishing 29.68 or 1.6 per cent ahead at 1.872.11. Turnover was some FFr3.6bn. Eridania Beghin-Say, the

food and sugar group, up FFr36 or 5 per cent to FFr782, but off a high of FFr798, was supported by weekend comments that Ifil, of Italy, might mount s bid if Montedison were to dispose of its stake.

Financial issues had a good run: Bancaire rose FFr16 to FFr487.50, and UAP FFr5 or 4 per cent to FFr130.9 in spite of noting that 1994 earnings would not reach an earlier target of 30 per cent growth. Brokers said that this news had already been discounted. Pinault-Printemps-Redoute

improved PFr35 or 3.5 per cent to FFr1.018 after reporting estimated 1994 profits of soma FFr1.2bn, more than double the figure in 1993.

FRANKFURT maintained its momentum, and the Dax index closed with an advance of 31.70 or 1.5 per cent at 2,089.69 in turnover of DM6.2hn.

The Ibis indicative index finished at 2,085.08. Chemicals maintained strength, and improved in late trading on institutional interest, with Basf up DM10.30 at DM330.50, Bayer ahead DM8.10 to DM364.10 and Hoachst

DM6.40 up at DM326.60. In the automotive sector, Continental was DM2.30 higher at DM230.80 as Lehman Brothers turned positive on the tyre sector. Mr Chris Will, who raised his rating on Michelin as well, said the industry would benefit from capacity shortages enabling it to lift prices. Benefits would also flow from strength in the replacement tyre area, which accounted for some 80 per cent

dollar's continued strength, firmer bonds and gains on other European bourses, and the SMI index moved up 32.0 or 1.2 per cent to 2,621.4. The drugs sector continued to benefit from recent buy ommendations, with Roche certificates rising SFr135 to SFr6,750. Ciba gained SFr17 at

SF1813 and Sandoz added SF118

ZURICH was lifted by the

one of the cheapest consumer Among cyclicals. Alusuisse plays on the market. rose SFr3 to SFr653 after Fri-

FT-SE Actuaries Share indices THE EUROPEAN SERIES Open 10.20 11.00 12.00 13.00 14.00 15.00 Class FT-SE Europeck 100 1335.72 1335.61 1335.75 1335.45 1336.93 1336.54 1336.40 1336.26 Feb 3 Feb 2 Feb 1 Jen 21 1312.55 1313.47

results and dividend increase. Holderbank moved ahead SFr15 to SFr967, recouping some of last week's loss. UBS picked up another SFr13 to SFr1,037 in a continuation of its technical rebound, while CS Holding added SFr9 at SFr538. Ms Felicity Smith at ABN-Amro Hoare Govett, who recommended the stock, noted that the shares had fallen by some 40 per cent and underperformed the Swiss market by 30 per cent over the past year. This had fully discounted a weak 1994, she said, and was over discounting fears of

declining Swatch sales and

worries over the Swatchmobile

car project, making the stock

AMSTERDAM strengthened,

with the AEX index moving forward 0.88 to 413.42. Philips improved 40 cents to FI 54.80 after announcing that

it had reached an agreement

with the Polish government to

set up another lighting company in the country. Akzo Nobel also put on 40 cents, at F1 196.40, and said that it was buying a US unit of BASF. CSM, the food group, was one of the best supported stocks, rising FI 1.00 to FI 67 10. as investors welcomad its amnouncement that it expected higher net profit per share in the current fiscal year. Borsumij, the trading group,

rose 80 cents to F127.90 after reporting a preliminary nat profit for 1994 of more than 20 per cent

KNP BT, up 50 cents to F1 53.90. said after tha close that it had returned

to the black in 1994. MIT.AN finished fist inhibited by technical deadlines which fall on Friday. The Comit index recorded a gain of 6.97 at 680.37, while the real-time Mibtel index closed iged at 10,816, off a high of 10.920.

Fiat fell L79 to L6,611 on profit-taking after last week's good results but Pirelli gained another L64 to L2,436 on growing hopes for its 1994 results. However, analysts warned that the shares, star performers in recent sessions, may not have much room for further advances in the absence of clear signs of recovery in its main tyre and cables markets. Banks were mostly lower as the recent takeover fever subsided. Credito Italiano was L31 down at L1,997 as it announced that its public offer for 78 per cent of Credito Romagnolo was

123 per cent oversubscribed Montedison picked up L10 to L1,294 as it reaffirmed that it had no plans to dispose of its stake in its French based foods holding, Eridania Beghin-Say. Among firmer telecommunications shares, Stet rose L32 to L5,133 as JP Morgan initiated coverage with a buy recom-

mendation, saying it expected

that the company would report earnings growth of 10 per cent a year over the next four years. VIENNA was lifted by optimism at the weekend as progress was made in the government's budget negotiations. The ATX index recovered

6.53 or 0.7 per cent to 974.83, after a fall of 2.3 per cent last Traders said an agreement

on a savings plan with the country's three main civil service groups, announced on Sunday, gave equities a boost-Creditanstalt was supported by reports late on Friday that a consortium led by insurer EA Generali had offered to buy the government's 70 per cant stake. Preferred shares were up Sch8 or 1.4 per cent at Sch600, ordinary shares were ahead Sch7 or 1.2 per cent at Sch611 and participation certificates were up Sch35 or 2 per

STOCKHOLM's världen genaral i advanced 13.20 to 1,553.4. Ericsson moved forward SKr8.5 or 2.1 per cent to SKr420 ahead of its 1994 preliminary report due on Thursday.

Written and edited by John Pitt

Hong Kong surges 5.6 per cent as Shanghai plummets

The Hong Kong equity market firmed 2.14 to 1,191.48, surged ahead, with European Institutional invest and US funds said to be the main buyers in the wake of Wall Street's performance on Friday and amid relief that last week's domestic and US interest rate rise had removed a major element of uncertainty.

The Hang Seng index finished 418.88 stronger at 7,897.80 after 8 day's peak of 7,918.46, with hopes that further Sino-US talks, scheduled for next k, would avert 8 trade war. It was the market's sharpest one-day advance since May 18 last year. Turnover jumped to HK\$5.5bn from Friday's total of HK\$3.1bn.

Brokers noted that Salomon Brothers and Morgan Stanley were among the major buyers.
Morgan Stanley said it expected to increase the weightings for emerging market equities in its global portfolio later in the day proporting market. the day, prompting market expectations that it would double its Hong Kong weighting. Blue chips rose across the HK\$4 st HK\$79.75 and Hang Seng Bank was ahead HK\$2.10

at HK\$44.90. Property counters

outperformed the market, with the sectoral sub-index climbing

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Renewed interest in the reconstruction theme and arbitrage huying helped construction and high-technology stocks, and the Nikkel 225 average closed moderately higher,

session on last Friday's rise higher on arbitrage buying.

Volume came to 320m shares, against 313m. Foreign investors were buying high technology stocks, companies were seen realising profits on holdings, and individuals bought construction stocks.

writes Emiko Terazono in

The index was 128.26 up at 18.667.23 after a day's low of 18.573.29 and high of 18.672.14. Shares gained in the morning on Wall Street, while high-technology issues were also

The Topix index of all first section stocks rose 6.92 to 1,455.30 and the Nikkei 300 added 1.55 at 267.47. Geiners led losers by 611 to 385, with 176 issues unchanged. In Lon-

don the ISE/Nikkei 50 index

163.73 153.44 172.30 161.44 168.82 157.99 146.90 137.84 124.65 1165.49 126.15 165.49 175.72 140.76 131.92 293.20 274.73 208.89 186.67 75.59 148.40 137.16 149.47 357.16 149.47 357.16 149.47 357.16 149.47 357.16 149.47 201.54 249.63 224.72 125.09 226.15 247.82 279.82 131.42 123.14 129.83 124.72 183.84 153.36 194.47 130.88 194.47 130.88 194.47 181.54

183.74 781.54 178.23 157.00 168.95 158.30 230.60 216.07 152.91 145.45 159.50 146.45 189.47 177.53 151.42 141.87 218.82 205.04 160.00 149.92 167.65 157.09 184.33 172.71

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140.84 135.51 182.23 120.84 125.04 148.72 119.65 172.92 128.43 132.48 145.88

Institutional investors were realising profits ahead of the end of the financial year next

March. Buying of the restora-tion sector has so far absorbed the selling, but some traders were cautions that share prices could lose ground once the rally in the sector fizzled out. Construction sbares rebounded: Penta-Ocean Construction, the day's most active issne, rose Y32 to Y987 and Fudo Construction, the Osaka based contractor, put on Y40 st

Y1.350. Condominium developers also gained ground, with Haseko adding Y30 at Y630. Dealers and overseas inves-tors supported high-technology stocks: TDK rose Y90 to Y4,350 and Sharp Y40 to Y1,540. Sony, however, gave up an early rise due to profit taking, ending unchanged at Y4,620.

Banks, which jumped last week on reports of Sumitomo Bank's bad loan write-off, were mixed. Corporate investors, trying to boost earnings for the increase profit-taking of their bank stock holdings, industrial Bank of Japan added Y10 at Y2,630 and Sumitomo Y40 at Y1,890, bnt Bank of Tokyo ed Y10 to Y1.470 and Mitsubishi Bank Y10 to Y2,380.

In Osaka, the OSE average firmed 145.61 to 20,516.63 in volume of 58.4m shares.

Roundup

Sharply divergent perforthe region. SHANGHAI'S A share index

inged on fears of a Sino-US trads war. The index shed 30.86 to 550.06, while the B index fell 0.688 or 1.3 per cent to 51.773. Brokers said the drop hit an already weakened market which has seen a loss of 40 per

cent since mid-September 1994. Shanghai Forever Bicycla was the worst performer on the A market, losing 9.37 per cent at Yn6.00 in volume of 86,100

On the B market, Shanghai Hero was the biggest loser, plummeting 10 per cent to Yn0.27 in volume of 43,000 shares. Bicycles and stationery are two of the items in the US KUALA LUMPUR encoun-

tered further heavy foreign

149.40 148.70 215.38 100.35 119.15 189.20 128.70 192.60 122.25 139.85

		1
THE DAY'S CHA	VGES	buying. The
	% Change	Bt14_4bn turno
Hong Keng Kusia Lumpur Mansa Bengkok Taipel	+1.4	sector was the and the most a per cent on Bt TAIPRI saw ing of electro
SingaporeShangheiBombey	+0.8 +0.7 -5.3 -1.3	weighted index 6,417.28, off a Turnover was

buying in a continuation of Friday's 5 per cent rally. The composite index gained 44.70 at 971.96 in volume that swelled to 245m shares from Friday's 159m.

Blue chips continued to lead the advance, while demand was also seen for stocks with strong fundamentals, including Diversified Resources, shead 60

BANGKOK was supported by foreign and local institutional

ver. The finance s higgest gainer active, rising 7.74 3hn turnover.

mics and steels e market np. The index gained 88.90 at 8,417.28, off a low of 6,298.01. er was Ta37bn. Steels attracted active buy

ing as investors believed that local demand would not be ffected by a possible China-US The cantral bank's announcement to further open

foreign investment in the stock market also helped sentiment: the new limit on total direct foreign investment will be 12 per cent of the market's capitalisation, or around \$29.75bb. against \$7.5bm at present. MANILA was encouraged by reports of lower domestic infla-

ume of 4.12bn shares worth 1.42hn pesos. Consumer infla-tion fell to 6.2 per cent in January from December's 7.1

Major gainers were Mega-world Properties & Holdings, which rose 9.46 per cent to 20.25 pesos, and Petron Corp, up 5.1 per cent to 20.50 pesos.

SINGAPORE staged a sharp rebound at the close on strong foreign buying, having been under pressure in morning trade from selling in motor, bank and finance stocks after 8 government move to curb car and personal loans. The Straits Times Industrial index rose 14.65 to 2,124.89, up from an intraday low of 2,086.21.

SYDNEY followed the trend,

the All Ordinaries index finishing 15.2 up at 1,862.9 in turnver estimated at A\$438m. Much of the gain in the cent rally in the media index, stemming mainly from a buy recommendation for News Corporation (17 cents higher at A\$5.53 after A\$5.74) by Merrill

BOMBAY suffered sustained selling pressure by foreign mutual funds, booking profits ahead of another round of regional elections that begin in the western state of Maharasb tra later this week. The BSE 30 index lost 47.89 at 3,590.24.

Among the day's biggest los ers, Reliance Industries fall Rs12.5 to Rs268.75 during a day of overseas selling into a market which saw a marked lack of local fund support.

SEOUL saw early rises cancelled by swift profit-taking and the composite index finhigh of 963.14, with liquidity worries still taking a toll.

This announcement appears as a matter of tecord only.



Halifax Building Society

through its wholly owned subsidiary

Halifax Loans Limited

has acquired

BNP Mortgages (Holdings) Limited

containing

£1,500,000,000

of residential mortgage assets from

Banque Nationale de Paris

The undersigned initiated the transaction and acted as financial adviser to the Society throughout the acquisition



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